Public Post-Secondary Institutions

Audited Financial Statements

Public Colleges and Technical Institutes
for the Year Ended June 30, 2004

Universities and Banff Centre for Continuing Education
for the Year Ended March 31, 2005

Alberta Advanced Education

Alberta

2005
Alberta Centennial

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ALBERTA COLLEGE OF ART AND DESIGN

FINANCIAL STATEMENTS

JUNE 30, 2004

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AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of Alberta College of Art & Design

I have audited the statement of financial position of the Alberta College of Art and Design as at June 30, 2004 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
October 15, 2004

ALBERTA COLLEGE OF ART AND DESIGN
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2004

	2004	2003
ASSETS		
Current:		
Cash and investments (Note 3)	$ 4,182,670	$ 3,351,622
Accounts receivable and prepaid expenses	202,427	86,594
Inventories	533,921	571,784
	4,919,018	4,010,000
Non-current:		
Cash and investments (Note 3)	2,975,991	2,842,909
Capital contributions receivable (Note 17)	612,181	609,707
Capital assets (Note 5)	6,525,018	7,170,657
	$ 15,032,208	$ 14,633,273
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable	$ 323,180	$ 417,862
Deferred tuition fees	190,556	124,728
Deferred contributions (Note 7)	943,372	801,006
Accrued vacation	712,614	735,811
Accrued benefits (Note 14)	193,568	166,138
	2,363,290	2,245,545
Non-current:		
Accrued benefits (Note 14)	97,936	82,953
Unamortized deferred capital contributions (Note 8)	6,075,666	6,656,885
Deferred capital contributions (Note 7)	1,387,751	1,401,054
	9,924,643	10,386,437
Net assets:		
Unrestricted	1,434,657	1,150,916
Internally restricted (Note 9)	1,433,134	790,587
Invested in capital assets	449,352	513,772
	3,317,143	2,455,275
Endowments (Note 10)	1,790,422	1,791,561
	5,107,565	4,246,836
	$ 15,032,208	$ 14,633,273

The accompanying notes are part of these financial statements

ALBERTA COLLEGE OF ART AND DESIGN
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2004

	2004		2003
	Budget (Note 15)	Actual	Actual
Revenue:			
Grants (Note 11)	$ 8,252,676	$ 8,641,185	$ 8,021,544
Tuition fees	3,537,400	3,544,417	3,040,840
Continuing education fees	840,000	903,409	841,156
Bookstore sales	743,000	780,021	720,354
Sales, rentals and services	150,000	158,304	150,098
Donations, gifts in kind and fundraising events	759,545	204,660	824,510
Scholarships	32,300	81,580	44,093
Investment income (Note 4)	190,000	212,798	197,617
Earned capital contributions (Note 8)	780,000	762,076	794,575
	15,284,921	15,288,450	14,634,787
Expense (Note 12):			
Salaries, benefits and allowances (Note 13)	9,246,090	9,111,307	8,501,930
Supplies and services	3,680,737	3,510,537	3,412,181
Bookstore - cost of sales	454,500	443,593	475,822
Fundraising projects	623,945	278,846	700,766
Scholarships	132,328	141,043	123,317
Loss on disposal of capital assets	-	3,125	-
Amortization of capital assets	980,000	938,131	994,942
	15,117,600	14,426,582	14,208,958
Excess of revenue over expense, for the year	$ 167,321	$ 861,868	$ 425,829

The accompanying notes are part of these financial statements

ALBERTA COLLEGE OF ART AND DESIGN
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004

	2004						2003
	Unrestricted Net Assets	Internally Restricted Net Assets (Note 9)	Investment in Capital Assets	Total Operating Net Assets	Endowments (Note 10)	Total Net Assets	Total Net Assets
Excess of revenue over expense	$ 861,868	$ -	$ -	$ 861,868	$ -	$ 861,868	$ 425,829
Transfer to internally restricted, net (Note 9)	(642,547)	642,547	-	-	-	-	-
Endowment contributions and capitalized interest (Note 10)	-	-	-	-	48,130	48,130	65,389
Transferred to deferred contributions (Note 10)	-	-	-	-	(49,269)	(49,269)	(10,214)
Internally funded:							
Purchase of capital assets	(115,276)	-	115,276	-	-	-	-
Amortization of capital assets	176,055	-	(176,055)	-	-	-	-
Net book value of capital asset disposals	3,641	-	(3,641)	-	-	-	-
Donated artwork	-	-	-	-	-	-	32,435
Increase (decrease) in net assets	283,741	642,547	(64,420)	861,868	(1,139)	860,729	513,439
Balance, beginning of year	1,150,916	790,587	513,772	2,455,275	1,791,561	4,246,836	3,733,397
Balance, end of year	$ 1,434,657	$ 1,433,134	$ 449,352	$3,317,143	$ 1,790,422	$ 5,107,565	$ 4,246,836

The accompanying notes are part of these financial statements

ALBERTA COLLEGE OF ART AND DESIGN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

	2004	2003
Operating activities:		
Excess of revenue over expense	$ 861,868	$ 425,829
Non-cash transactions:		
Earned capital contributions (Note 8)	(762,076)	(794,575)
Amortization of capital assets	938,131	994,942
Loss on disposal of capital assets	3,125	-
	1,041,048	626,196
Changes in non-cash working capital (Note 16)	39,775	274,974
Cash generated from operating activities	1,080,823	901,170
Investing activities:		
Purchase of capital assets:		
Internally funded	(115,276)	(126,422)
Externally funded	(180,857)	(61,112)
Donated artwork	-	(32,435)
Proceeds on disposal of capital assets	516	-
(Increase) decrease in non-current cash and investments	(133,082)	45,269
Increase in accrued benefits	14,983	7,470
Cash used in investing activities	(413,716)	(167,230)
Financing activities:		
Decrease (increase) in capital contributions receivable	(2,474)	151,232
Capital contributions received	167,554	-
(Decrease) increase in endowments, net	(1,139)	55,175
Donated artwork	-	32,435
Cash provided from financing activities	163,941	238,842
Net increase in current cash and investments	831,048	972,782
Current cash and investments, beginning of year	3,351,622	2,378,840
Current cash and investments, end of year	$ 4,182,670	$ 3,351,622

The accompanying notes are part of these financial statements

Note 1 Authority and Purpose

The Alberta College of Art and Design ("the College") operates under the authority of the Post Secondary Learning Act, Statutes of Alberta 2003, Chapter P-19.5. The College is a registered charity and is exempt from payment of income tax.

The College is a public institution for education in visual arts, design and digital media, that delivers both post-secondary degree and diploma programs, and adult and children's continuing education programming.

The College promotes cultural and artistic awareness in the College and the community through art exhibitions, public lecture programs and its collection of visual art and library resources.

Note 2 Summary of Significant Accounting Policies

a) General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates which may vary from actual results. The following accounting policies and reporting practices are considered significant.

b) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost and replacement value. Cost is determined using the first in, first out method.

c) Investments

Investments are recorded at cost. Gains are recognized at realization. Losses are recognized at realization or when there is an other than temporary decline in the value of an investment.

Note 2 Summary of Significant Accounting Policies (continued)

d) Capital Assets

The land and building which house the College are owned by the Southern Alberta Institute of Technology (the "Institute") and are occupied by the College under a facility license granted by the Institute. The term of the license is through a renewable contractual agreement between the College and the Institute determined at the pleasure of the Minister of Learning.

The facility license providing the right to use the building has been recorded as an asset at fair value at the time the license was granted. Fair value is estimated as the building's amortized replacement cost based on an independent appraisal as at April 1982.

Subsequent additions to the facility are recorded as leasehold improvements at cost.

Furnishings and equipment are recorded at cost, except for donated assets which are recorded at fair value.

Capital assets, except for the artwork collection, are amortized on a straight-line basis over the following periods:

Facility license	28 years
Leasehold improvements	remaining life of the building
Furniture and equipment	5 years
Computer Systems	10 years

The artwork collection is made up of numerous pieces of art that are held for display in the College and used for educational purposes. The pieces in the collection are recorded at the purchase price or at the appraised value at the time of donation and are not amortized.

e) Revenue Recognition

Unrestricted contributions and investment income are recognized in the period when receivable.

Amounts received for fees and sale of goods and services are recognized as revenue at the time the goods are delivered or the services are provided.

Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Note 2 Summary of Significant Accounting Policies (continued)

e) Revenue Recognition (continued)

Externally restricted non-capital contributions and interest are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by the contributor.

Externally restricted contributions containing stipulations that the amounts should be retained as net assets or that the contributions should not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

Externally restricted capital contributions and interest are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

f) Employee Future Benefits

The College participates with other employers in the Local Authorities Pension Plan (the "Pension Plan"). This Pension Plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees based on their years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year based on rates which are expected to provide for benefits payable under the Local Authorities Pension Plan. The College's portion of the pension plan's surplus or deficit is not recorded by the College.

The College's Board of Governors has approved early retirement and voluntary severance plans which provide employees leaving the employment of the College under specific conditions with bridge payments, lump sum payments in lieu of benefits or continued benefits for specific periods. The bridge payments, lump sum benefit payments and liabilities for future benefit payments are recorded by the College in the year the retirement application is approved.

Note 2 Summary of Significant Accounting Policies (continued)

f) Employee Future Benefits (continued)

The College pays or shares the premiums for certain benefits for employees on long term disability. The present value of the estimated costs of these premiums are recorded at the time the College becomes obligated under the plan.

g) Financial Instruments

The carrying value of cash, receivables, payables, deferred revenue and accruals are considered to approximate fair value unless otherwise disclosed.

h) Credit, Interest Rate and Market Risk

The College's accounts receivable are due from a diverse group of customers and are subject to normal credit risks.

Interest rate risk is the risk to the College's earnings that arises from the fluctuations in interest rates and the degree of volatility of these rates.

Market risk is the risk to the College's earnings that arises from the fluctuations and degree of volatility in the market value of its long-term investments.

Note 3 Cash and Investments, Current and Non-Current

The Board of Governors, through its Finance Committee monitors the performance of the investment portfolio. Under the investment policy, the prime objectives of the investment fund are the generation of income, conservation of capital and growth of capital. The prime constraints that guide the investment policy are risk aversion and liquidity.

Realized return includes interest income and gains and losses on disposals of investments. In 2004, the cash and investments obtained a realized return of 3.5% (2003 – 3.6%).

Investments are currently held as money market, bond and equity pooled funds managed through an investment advisor. Cash and investments are summarized as follows:

	2004			2003		
	Cost	Market	Yield to Market	Cost	Market	Yield to Market
Cash	$ 4,693,154	$ 4,693,154		$ 3,803,491	$ 3,803,491	
Pooled funds:						
Accrued income	38,363	38,363		36,567	36,567	
Bond fund	926,389	972,066	4.56%	892,255	953,286	4.40%
Pooled equity account	1,500,755	1,616,729	2.84%	1,462,218	1,415,117	3.03%
Total cash and investments	7,158,661	$ 7,320,312	3.49%	6,194,531	$ 6,208,461	3.60%
Held as non-current assets	2,975,991			2,842,909		
Held as current assets	$ 4,182,670			$ 3,351,622		

Note 3 Cash and Investments, Current and Non-Current (continued)

The Bond Fund consists of Canadian government and corporate bonds with an average term to maturity of 7.7 years and an average yield to maturity of 4.56%. Bonds are rated at a minimum level of BBB with 60% of the Fund rated as AAA.

Bond maturities are as follows at June 30, 2004:

Under 1 year	9 %
1-5 years	44
5-10 years	24
10-20 years	-
Over 20 years	23
	100 %

Bonds are outstanding by the following types of issuers at June 30, 2004:

Federal	47 %
Provincial	15
Municipal	7
Corporate	31
	100 %

The Pooled Equity Account is a balanced fund of bond and equity investments.

The Pooled Equity Account at June 30, 2004 held the following types of investments:

Canadian Short and Long-term bonds	39 %
Canadian Equities	31
United States Equities	15
International Equities	15
	100 %

Note 3 Cash and Investments, Current and Non-Current (continued)

Cash and investments held as non-current represent funds not available for current operations and comprise endowments and deferred capital contributions restricted for the purchases of capital assets as follows:

	2004	2003
Endowments (Note 10)	$ 1,790,422	$ 1,791,561
Deferred capital contributions	775,569	791,348
Internally restricted for capital (Note 9)	410,000	260,000
	$ 2,975,991	$ 2,842,909

Note 4 Investment Income

	2004	2003
Investment income on resources held for endowment (Note 10)	$ 60,530	$ 62,043
Capital gain on sale of mutual funds (endowed funds)	569	145
Investment income on unrestricted resources	124,607	93,120
Total investment income	185,706	155,308
Amounts credited to endowment principal (Note 10)	(15,275)	(15,496)
Transferred to deferred capital contributions	-	(4,011)
Interest deferred in the prior year recognized (Note 10)	42,367	61,816
	$ 212,798	$ 197,617

Note 5 Capital Assets

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Facility license	$ 12,207,000	$ 8,283,529	$ 3,923,471	$ 4,359,412
Furniture and equipment	3,554,911	3,083,954	470,957	458,915
Leasehold improvements	3,027,936	1,352,025	1,675,911	1,843,953
Computer systems	566,078	467,841	98,237	151,935
Art collection	356,442	-	356,442	356,442
	$ 19,712,367	$ 13,187,349	$ 6,525,018	$ 7,170,657

During the year, the College received donated assets of $142,128 (2003 - $32,435).

Note 6 Lease Commitment

As at June 30, 2004 the Alberta College of Art and Design had total lease commitments in the amount of $31,751 (2003 - $59,613)

The College leases office equipment under operating leases that expire on various dates to 2009. The aggregate amounts payable for the unexpired terms of the leases are as follows:

2005	$ 16,723
2006	7,824
2007	3,202
2008	3,202
2009	800
	$31,751

Note 7 Deferred Contributions and Deferred Capital Contributions

	2004	2003
Contributions received during the year:		
Capital grants	$ 335,699	$ -
Capital donations	142,128	-
Donations - gifts in kind	74,691	518,860
Donations - Scholarships	142,325	241,602
Non-capital grants	520,171	367,145
Non-capital donations	192,023	233,901
Restricted investment income	61,099	62,188
	1,468,136	1,423,696
Transferred to revenue:		
Operating grants	(768,509)	(522,930)
Donations, gifts in kind and fundraising events	(204,661)	(824,510)
Scholarships	(81,580)	(44,093)
Investment income	(88,191)	(104,497)
	(1,142,941)	(1,496,030)
Transferred to:		
Unamortized deferred capital contributions (Note 8)	(180,857)	(61,112)
Endowments	(15,275)	(15,496)
	(196,132)	(76,608)
Increase (decrease) during the year	129,063	(148,942)
Balance, at beginning of year	2,202,060	2,351,002
Balance, end of year	$2,331,123	$ 2,202,060

The balance is restricted for:

	2004	2003
Capital	$1,387,751	$ 1,401,054
Non-capital		
HRDC and Province of Alberta and conditional grant	417,881	382,449
Scholarships	337,108	352,234
Other	188,383	66,323
	943,372	801,006
	$2,331,123	$ 2,202,060

Note 8 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the externally funded portion of capital assets, which will be recognized as earned capital contributions in future periods. Changes in the unamortized deferred capital contributions balance are as follows:

	2004	2003
Balance at beginning of year	6,656,885	$ 7,390,348
Add: transfers from deferred contributions (Note 7)	180,857	61,112
Less: amount earned and transferred to revenue	(762,076)	(794,575)
Balance at end of year	$ 6,075,666	$ 6,656,885

Note 9 Internally Restricted Net Assets

The Board of Governors has placed internal restrictions on operating net assets as follows:

	2004			
	Opening	Expended	Appropriations	Closing
Non capital:				
Human resource infrastructure	$ 300,000	$ -	$ -	$ 300,000
Marketing, recruitment and promotion	51,410	-	-	51,410
Utilities	93,000	-	-	93,000
Health and Safety Program	-	-	50,000	50,000
Accreditation (AUCC,NASAD)	-	-	100,000	100,000
Website development and maintenance	36,177	7,453	-	28,724
Community Relations - President	-	-	150,000	150,000
Special Initiatives - President	-	-	100,000	100,000
College expansion initiative	50,000	-	100,000	150,000
	530,587	7,453	500,000	1,023,134
Capital:				
Equipment renewal plan	200,000	-	150,000	350,000
Administrative System Applications	60,000	-	-	60,000
	260,000	-	150,000	410,000
	$ 790,587	$ 7,453	$ 650,000	$ 1,433,134

Note 10 Endowments

Endowments consist of restricted donations to the College and internal allocations by the Board of Governors, the principal of which is not to be spent. The investment earnings generated from the endowments must be used in accordance with the various purposes established by the donors or the Board.

	2004	2003
Balance at beginning of year	$ 1,791,561	$ 1,736,386
Donations received	32,855	49,893
Capitalized investment income	15,275	15,496
Transfer to deferred contributions	(49,269)	(10,214)
	(1,139)	55,175
Balance at end of year	$ 1,790,422	$ 1,791,561

Endowments comprise:

	2004	2003
External endowments	$ 1,295,517	$ 1,301,241
Internal endowments	494,905	490,320
	$ 1,790,422	$ 1,791,561

During the year, investment income earned on endowments was recorded according to stipulations as follows:

	2004	2003
Income earned during the year (Note 4)	$ 61,099	$ 62,188
Recognized as revenue	$ 88,191	$ 104,497
Capitalized as endowment principal	15,275	15,496
Transferred to deferred capital contributions	-	4,011
(Prior year deferred recognized) deferred, net	(42,367)	(61,816)
	$ 61,099	$ 62,188

Note 11 Grants

	2004	2003
Province of Alberta:		
Base operating	$ 7,135,477	$ 6,910,898
Access funding	691,580	698,961
Energy and Enrolment grants	68,439	-
Community Lottery Board	27,775	11,207
Infrastructure renewal	253,593	250,805
Operating & Maintenance Grant	213,452	-
Faculty/Staff Retention Grant	127,895	54,712
AHRE Disability Training grants	549	20,676
Performance funding	37,257	-
Curriculum Redevelopment Funding	-	3,481
Alberta Foundation for the Arts	21,116	21,116
Alberta Opportunity Bursary	-	13,420
Retail Store Feasability Study	5,000	-
ACAD Student Association	10,000	-
Art in Motion	3,509	-
Human Resources grants	1,680	-
Other	21,756	26,756
Total Provincial Grants	8,619,078	8,012,032
Other:		
Canada Council	1,150	3,800
Indirect Cost Program	13,898	-
SSHRC - Dunning	2,437	-
SSHRC - Liberal Studies	4,622	-
Other	-	5,712
	$ 8,641,185	$ 8,021,544

Note 12 Expense by Function

	2004	2003
Expense:		
Instruction	$ 5,934,751	$ 5,600,778
Institutional support	3,556,483	3,673,759
Academic support	2,296,460	2,142,770
Amortization of capital assets	938,131	994,942
Student services	742,605	785,934
Other costs	708,493	740,070
Minor capital projects	246,534	270,705
Loss on disposal of capital assets	3,125	-
	$ 14,426,582	$ 14,208,958

Instruction encompasses all educational and instructional programs, including credit programming and continuing education. Academic support includes all activities that directly support instruction, including Library, Woodshop, Gallery and Academic Administration. Student services include all activities or services provided to students.

Institutional support includes all activities that provide institution-wide administrative and clerical support to institutional operations as well as college fundraising, communications and development expense. A significant component of fundraising and development expenses is an annual major fundraising event, the total cost of which is included in institutional support costs.

Other costs include the bookstore cost of sales and direct bookstore operations costs. Direct salary costs incurred by this department of the College include support for college wide purchase, receipt and distribution of all materials for instructional, operational and retail purposes.

Note 13 Salaries, Benefits and Allowances

Directive 12/98 (amended July 6, 2004) from the Treasury Board of the Province of Alberta requires the College to disclose certain salaries and benefits. Those salaries and benefits are as follows:

	2004				2003
	Base Salary (1)	Other Cash Benefits (2)	Other Non-cash Benefits (3)	Total	Total
Board of Governors					
Chair	$ -	$ -	$ -	$ -	$ -
Board Members	-	2,543	19	2,562	462
President (4)	37,542	188,529	2,590	228,661	174,044
Vice President Academic (5)	-	-	-	-	-
Chief Operating Officer (6)	116,102	5,400	16,078	137,580	119,245
Vice President External Affairs	85,975	-	13,923	99,898	84,893
Director Student Services (7)	86,847	-	14,009	100,856	85,956
	$ 326,466	$ 196,472	$ 46,619	$ 569,557	$ 464,600

1) Base Salary includes pensionable base pay.
2) Other cash benefits include, honoraria, housing allowance, vehicle allowance, and payouts from the executive supplemental pension plan.
3) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, employment insurance, health care, extended health, vision and dental coverage, group life insurance, accidental disability and dismemberment and workers' compensation.
4) The President ceased employment at the College on October 30, 2003. Other cash benefits include contractual payments of both salary and benefits and a full payout of the President's supplemental pension plan account.
5) The Vice President, Academic position was vacant during the 2002-03 and 2003-04 fiscal years.
6) Base salary of the Chief Operating Officer includes a supplement for duties performed in the vacant President position.
7) Base salary of the Director Student Services includes a supplement for duties performed in support of the vacant Senior Academic Officer position and the Academic Executive.

Note 14 Employee Future Benefits

The College Board of Governors have provided provisions for early retirement plans for college employees. The College also provides a supplemental pension plan for the President. The College is also required, under the terms of its long-term disability plan, to continue payment of the employer's portion of health benefits and LAPP pension premiums while an employee is on long-term disability. The College's liability and expense under these plans included in the 2004 financial statements is $291,504 (2003 - $249,091).

The college participates in a multiemployer pension plan, the Local Authorities Pension Plan (LAPP). The expense for this plan is $360,955 for the year ended June 30, 2004 (2003 - $310,283).

At December 31, 2003, the Local Authorities Pension Plan reported a deficiency of ($1,410,987,000) (2002 – $444,980,000). Effective January 1, 2003, the employers' contribution rates were increased by 0.5%. Rates were increased further January 1, 2004 by 1.077%.

Note 15 Budget

The budget was approved by the Board of Governors in May 2003 and the revised budget was approved February 2004.

	Original Budget	Revised Budget
Revenue:		
Grants	$ 7,994,606	$ 8,252,676
Tuition fees	3,267,643	3,537,400
Continuing education fees	876,700	840,000
Bookstore sales	743,000	743,000
Sales, rentals and services	125,000	150,000
Donations, gifts in kind and fundraising	759,545	759,545
Scholarships	32,300	32,300
Investment income	197,828	190,000
Earned capital contributions	818,000	780,000
	14,814,622	15,284,921
Expense:		
Salaries, benefits and allowances	9,232,364	9,246,090
Supplies and services	3,568,603	3,680,737
Bookstore - cost of sales	454,500	454,500
Fundraising projects	623,945	623,945
Scholarships	132,328	132,328
Loss on disposal of capital assets	-	-
Amortization of capital assets	962,000	980,000
	14,973,740	15,117,600
Board restricted manpower funds	177,064	-
Excess of revenue over expense	$17,946	$ 167,321

Note 16 Changes in Non-Cash Working Capital

	2004	2003
(Increase) decrease in accounts receivable and prepaid expenses	$ (115,833)	$ 442,454
(Increase) decrease in inventories	37,863	(141,929)
(Decrease) in accounts payable	(94,682)	(176,146)
Increase in deferred tuition fees	65,828	44,188
Increase (decrease) in deferred contributions	142,366	(87,830)
Increase (decrease) in accrued vacation	(23,197)	68,253
Increase in accrued benefits	27,430	125,984
	$ 39,775	$ 274,974

Note 17 Related Party Transactions

a) Province of Alberta

The College is a Provincial Corporation as all members of the Board of Governors are appointed either by statute or by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning. Transactions between the College and the Province are disclosed as follows:

	2004		2003	
	Revenue	Deferred Contributions and UDCC*	Revenue	Deferred Contributions and UDCC*
Operating grants	$ 7,348,929	$ -	$ 6,910,898	$ -
Access funding	626,400	249,361	691,961	226,361
Infrastructure renewal (IRE) grants	219,526	1,310,307	-	1,581,185
Performance funding	37,257	-	-	-
Unfunded enrolment growth	68,439	68,441	-	-
Faculty/staff retention	-	144,123	-	198,835
AHRE disability training grants	549	-	13,955	6,721
Institutional reporting grant	-	21,756	-	-
Alberta Foundation for the Arts	21,116	-	21,116	-
Community Lottery Board	-	57,992	-	122,569
Other	18,509	160,589	5,000	46,993
Alberta Opportunity Bursary	-	5,936	-	19,356
Human Resources grants	1,680	3,720	-	-
Total from deferred contributions	276,673	(276,673)	369,102	(369,102)
	$ 8,619,078	$ 1,745,552	$ 8,012,032	$ 1,832,918

* Unamortized deferred contributions related to capital assets

b) Southern Alberta Institute of Technology

The land and building which house the College are owned by the Southern Alberta Institute of Technology (the "Institute") and are occupied by the College under a facility license granted by the Institute and continuing occupancy at the pleasure of the Minister of Learning. The College and the Institute are parties to letters of agreement for the provision of utilities, maintenance and systems support. Amounts paid or payable to the Institute in 2004 for these purposes totalled $1,105,611 (2003 - $960,287).

Note 17 Related Party Transactions (continued)

The Institute received capital grants from the province that are designated for the building occupied by the College. An amount of $98,526 was expended in the current year from amounts held by the Institute for the building. The amounts were used for minor capital renovation purposes. The Institute still holds $612,181 (2003 - $609,707) of government grant funds that are to be used for the maintenance and repair of the building. The amount has been recorded as a capital contributions receivable. These transactions were entered into on the same business terms as with non-related parties and are recorded at fair value.

c) Bow Valley College

The Alberta College of Art and Design and Bow Valley College collaborate in offering Artstream, a base funded program, which provides academic upgrading and foundation art courses to students in preparation for entry into the College's diploma or degree programs. Amounts paid to Bow Valley College in 2004 for these purposes totalled $43,118 (2003 - $72,701). These transactions were entered into on the same business terms as with non-related parties and are recorded at fair value.

d) Other

Transactions entered into between the College and Red Deer College are recorded at fair value. Transactions between the College and members of the Board are also recorded at fair value.

Note 18 Comparative Figures

Certain 2003 comparative figures have been reclassified to conform to 2004 presentation.

Note 19 Approval of Financial Statements

These financial statements were approved by the Board of Governors at the October 28, 2004 meeting of the Board.

BOW VALLEY COLLEGE

FINANCIAL STATEMENTS

JUNE 30, 2004

Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of Bow Valley College

I have audited the statement of financial position of the Bow Valley College as at June 30, 2004 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
October 1, 2004

BOW VALLEY COLLEGE

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2004

	2004	2003
Assets		
Current:		
Cash and short-term investments (Note 4)	$ 3,300,700	$ 2,810,475
Accounts receivable	2,262,672	3,277,602
Inventories (Note 5)	567,815	513,102
Prepaid expenses	102,688	106,425
	6,233,875	6,707,604
Non-current cash and investments (Note 4)	11,508,053	9,722,992
Capital assets (Note 7)	22,149,693	22,489,397
	$ 39,891,621	$ 38,919,993
Liabilities and Net Assets		
Current:		
Accrued vacation pay	$ 1,675,826	$ 1,751,452
Accounts payable and accrued liabilities	1,390,560	1,533,454
Unearned revenue (Note 13)	1,669,043	1,624,775
Deferred contributions (Note 8)	915,474	1,232,404
Lease obligation (Note 11)	143,584	149,531
	5,794,487	6,291,616
Deferred capital contributions (Note 9)	4,007,934	3,811,834
Unamortized deferred capital contributions (Note 10)	17,663,947	18,149,714
Long-term lease obligation (Note 11)	161,918	298,553
	27,628,286	28,551,717
Net assets:		
Unrestricted	272,793	565,519
Internally restricted (Note 26)	7,400,567	5,636,093
Invested in capital assets (Note 25)	4,180,244	3,891,599
Endowments (Note 3)	409,731	275,065
	12,263,335	10,368,276
	$ 39,891,621	$ 38,919,993

The accompanying notes are part of these financial statements.

BOW VALLEY COLLEGE

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2004

	2004	2003
Revenue:		
Provincial government contributions and grants (Note 14)	$ 16,751,927	$ 15,242,014
Tuition fees	9,193,682	9,461,002
Entrepreneurial contracts and other grants (Note 15)	7,196,109	7,386,560
Ancillary and other services (Note 16)	1,546,656	1,534,977
Investment income (Note 17)	345,749	356,646
Donations and contributions	353,351	667,264
Amortization of deferred capital contributions (Note 10)	1,362,597	1,397,214
	36,750,071	36,045,677
Expense:		
Compensation and benefits (Note 18)	23,606,148	22,570,768
Supplies and services (Note 20)	8,365,919	8,623,251
Amortization of capital assets	2,125,791	1,973,645
Cost of goods sold (Note 6)	695,029	652,228
Scholarship and bursaries	191,171	185,228
Loss on disposal of capital assets	5,620	7,687
	34,989,678	34,012,807
Excess of revenue over expense	$ 1,760,393	$ 2,032,870

The accompanying notes are part of these financial statements.

BOW VALLEY COLLEGE

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2004

	2004					2003
	Unrestricted	Internally Restricted (Note 26)	Invested in Capital Assets (Note 25)	Endowments	Total	Total
Excess of revenue over expense	$ 1,760,393	$ -	$ -	$ -	$ 1,760,393	$ 2,032,870
Net assets restricted by the Board:						
Facilities improvement	(903,000)	903,000	-	-	-	-
Donation from estate	(559,543)	559,543	-	-	-	-
Program delivery	(296,400)	296,400	-	-	-	-
Board of Governors' scholarship	(5,531)	5,531	-	-	-	-
Acquisition of internally funded capital assets	(915,412)	-	915,412	-	-	-
Net book value of disposed assets - internally funded	3,008	-	(3,008)	-	-	-
Amortization of internally funded capital assets	766,341	-	(766,341)	-	-	-
Repayment of obligation under capital lease	(142,582)	-	142,582	-	-	-
Contributions to endowment	-	-	-	134,666	134,666	265,025
(Decrease) Increase in net assets	(292,726)	1,764,474	288,645	134,666	1,895,059	2,297,895
Net assets, beginning of year	565,519	5,636,093	3,891,599	275,065	10,368,276	8,070,381
Net assets, end of year	$ 272,793	$ 7,400,567	$ 4,180,244	$ 409,731	$ 12,263,335	$ 10,368,276

The accompanying notes are part of these financial statements.

BOW VALLEY COLLEGE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2004

	2004	2003
Operating activities:		
Excess of revenue over expense	$ 1,760,393	$ 2,032,870
Non-cash transactions:		
Amortization of deferred capital contributions (Note 10)	(1,362,597)	(1,397,214)
Amortization of capital assets - externally funded	1,359,450	1,397,214
Amortization of capital assets - internally funded	766,341	576,431
Loss on disposal of capital assets	5,620	7,687
	2,529,207	2,616,988
Net change in non-cash working capital (Note 24)	472,772	(1,018,920)
Cash generated from operating activities	3,001,979	1,598,068
Investing activities:		
Increase in non-current cash	(1,785,061)	(2,950,602)
Acquisition of capital assets - externally funded	(876,830)	(150,721)
Acquisition of capital assets - internally funded	(915,412)	(691,925)
Proceeds on disposal of capital assets	535	24,671
Cash applied to investing activities	(3,576,768)	(3,768,577)
Financing activities:		
Capital contributions received (Note 9)	1,072,930	25,133
Payment on capital leases	(142,582)	(98,599)
Endowment contributions	134,666	265,025
Cash generated from financing activities	1,065,014	191,559
Increase (decrease) in cash	490,225	(1,978,950)
Cash and short-term investments, at beginning of year	2,810,475	4,789,425
Cash and short-term investments, at end of year	$ 3,300,700	$ 2,810,475

The accompanying notes are part of these financial statements.

Note 1 Authority and Purpose

Bow Valley College operates under the authority of the Post Secondary Learning Act, Statutes of Alberta 2003, Chapter P-19.5.

The College serves primarily the City of Calgary and communities in Southern Alberta. The College provides instruction and training to assist adult learners through academic upgrading programs; career entry training in business, health, and service industries; and English as a second language programs. The College maintains a special interest in providing programs and services to aboriginal communities.

Prior to September 1, 1997, the College was operated directly by the Ministry of Alberta Learning.

The College is a registered charity and is exempt from payment of income tax.

Note 2 Significant Accounting Policies and Reporting Practices

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates which may vary from actual results. The following accounting policies are considered significant:

(a) Revenue Recognition

Unrestricted Contributions

Unrestricted operating grants and other contributions are recognized as revenue in the period receivable. Operating grants received for use in a future period are deferred until that future period.

Restricted Contributions

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred.

Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Contributions for capital assets that will be amortized are transferred to unamortized deferred capital contributions in the period the asset is acquired.

Unamortized deferred capital contributions are recognized in revenue as amortization of deferred capital contributions in the period in which the related capital assets are amortized. Unamortized deferred capital contributions relating to capital assets disposed of are recognized as revenue in the period of disposal, provided that all restrictions have been complied with.

Externally restricted contributions for endowment purposes are not recognized as revenue, but are recorded as direct increases in net assets.

Note 2 Significant Accounting Policies and Reporting Practices (cont.)

Investment Income

Unrestricted investment income is recognized in the year it is earned.

Investment income subject to external restrictions is, depending on the nature of the restriction, recorded as direct increases to net assets, or is deferred and recognized as revenue in the period the related expenses are incurred.

Program Delivery

Amounts received for tuition fees and sale of goods and services are recognized as revenue in the period in which the programs, goods or services are provided.

Revenue from contract programs are determined on the percentage of completion method. Provision is made for all anticipated losses as soon as they become evident.

Pledges

Pledges are recognized as revenue when collected.

(b) Investments

Short-term investments are valued at the lower of cost or market.

(c) Capital Assets

Capital asset acquisitions are recorded at cost, except donated assets which are recorded at fair value, when fair value is reasonably determined.

Capital assets are amortized on a straight-line basis over the following estimated average useful lives:

Building	22 years
Furniture, vehicles and equipment	10 years
Computer equipment and related software	3-5 years
Software development	3 years
Educational resources	2 years
Intellectual property	2 years

Leasehold and site improvements are amortized over the lower of expected useful life of the related buildings or the remaining term of the lease.

Assets under capital leases are amortized on a basis that is consistent with the above.

(d) Inventories

Inventories, that are comprised of goods for resale, are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Inventories held for consumption are valued at the lower of cost and replacement value.

Note 2 Significant Accounting Policies and Reporting Practices (cont.)

(e) Employee Future Benefits

The College participates in the Public Service Pension Plan (PSPP) and the Management Employees Pension Plan (MEPP). These pension plans are multi-employer defined benefit pension plans that provide pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's deficit or surplus is not recorded by the College.

(f) Financial Instruments

The College's financial instruments consist of cash and investments, accounts receivable, accounts payable and accrued liabilities, accrued vacation pay and lease obligations.

The College is exposed to currency risk (the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates); interest rate risk (the risk that the value of a financial instrument will fluctuate due to changes in market interest rates); and market risk (the risk that the value of a financial instrument will fluctuate as a result of changes in market prices).

It is management's opinion that the College is not exposed to significant currency, interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value.

Note 3 Endowments

Endowments consist of externally restricted donations to the College, the principal of which is required to be maintained in perpetuity. The investment income from endowments must be used in accordance with the purpose established by the donor.

Note 4 Cash and Short-term Investments, and Non-current Cash

Cash funds are invested in a daily interest earnings account with a Canadian chartered bank. The rates earned during the year ranged from 0.75% to 1.87% (2003: 1.37 % to 2.00%). Short-term investments are invested in a Cash Management Fund with earned rates ranging from 2.16% to 3.13% (2003: 2.67% to 3.18%).

	2004	2003
Investment	$ 11,119,615	$ 10,577,339
Cash	3,689,138	1,956,128
Non-current	(11,508,053)	(9,722,992)
	$ 3,300,700	$ 2,810,475

Non-current cash and investments consist of amounts not available for current operations and includes:

	2004	2003
Deferred capital contributions (Note 9)	$ 4,007,934	$ 3,811,834
Internally restricted net assets (Note 26)	7,090,388	5,636,093
Endowments	409,731	275,065
	$ 11,508,053	$ 9,722,992

Note 5 Inventories

	2004	2003
Books and educational materials	$ 239,771	$ 204,458
Artwork	232,332	230,374
Consumable supplies	95,712	78,270
	$ 567,815	$ 513,102

Note 6 Cost of Goods Sold

Cost of goods sold consists of books and educational materials as follows:

	2004	2003
Bookstore	$ 659,092	$ 634,333
Business and Industry Training	22,549	17,895
Test of Workplace Essential Skills	13,388	-
	$ 695,029	$ 652,228

Note 7 Capital Assets

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Building	$ 19,800,336	$ 3,810,595	$ 15,989,741	$ 16,825,970
Land	2,305,697	-	2,305,697	2,305,697
Computer equipment and related software	5,157,654	3,840,818	1,316,836	1,390,803
Furniture and equipment	2,146,725	660,451	1,486,274	1,384,856
Leasehold and site improvements	1,559,158	563,964	995,194	581,957
Educational resources	117,047	117,047	-	114
Intellectual property	63,944	7,993	55,951	-
Vehicles	24,083	24,083	-	-
	$ 31,174,644	$ 9,024,951	$ 22,149,693	$ 22,489,397

Included in computer equipment and related software are assets under capital leases with an original cost of $739,079 (2003 - $739,079) and accumulated amortization of $550,791 (2003 - $475,229).

Included in furniture and equipment are assets under capital leases with an original cost of $258,378 (2003 - $258,378) and accumulated amortization of $67,667 (2003 - $15,991).

The College also disposed of capital assets with an original cost of $243,437 (2003 - $484,836) and accumulated amortization of $237,281 (2003 - $452,478).

Note 8 Deferred Contributions

The deferred contributions balance represents amounts accounted for in accordance with the accounting policy described in Note 2 (a).

	2004	2003
Contributions received during the year:		
Conditional funding	$ 1,745,300	$ 1,510,396
Donations and contributions	273,291	301,725
	2,018,591	1,812,121
Transferred to:		
Conditional funding (Note 14)	(1,831,554)	(1,707,309)
Donations and contributions	(238,241)	(222,604)
Deferred capital contributions (Note 9)	(265,726)	-
Endowment	-	(108,324)
	(2,335,521)	(2,038,237)
Decrease during the year	(316,930)	(226,116)
Deferred contributions, beginning of year	1,232,404	1,458,520
Deferred contributions, end of year	$ 915,474	$ 1,232,404

Unspent amounts at the end of the year are restricted for the following purposes:

	2004	2003
Academic Foundations	$ 411,566	$ 458,238
Health Community Care	155,019	360,297
Learning Resource Services	159,117	195,654
Student Awards	148,940	118,774
Facilities	26,332	15,000
Health Services	6,100	-
English as a Second Language	5,000	49,368
Business and Industry Training	3,400	35,073
	$ 915,474	$ 1,232,404

Note 9 Deferred Capital Contributions

	2004	2003
Contributions received during the year:		
Access Grant for Practical Nurse Program	$ 311,704	$ -
Grant for Infrastructure Renewal Envelope	356,000	-
Transferred from Deferred Contributions (Note 8)	265,726	-
Grant for Leasehold Improvements	106,500	-
Grant for Assistive Technology Program	33,000	-
Grant for Community Access Program	-	13,133
Grant for Community Initiatives Program	-	12,000
	1,072,930	25,133
Transferred to:		
Unamortized deferred capital contributions (Note 10)		
Practical Nurse Program	(454,290)	(7,593)
Infrastructure Renewal Envelope	(202,521)	(125,598)
Leasehold Improvements	(106,500)	-
College Renovation Project	(61,014)	-
Computer Technology Certificate	(29,017)	-
Assistive Technology Program	(12,379)	(1,695)
Community Initiatives Program	(11,109)	-
Community Access Program	-	(13,132)
Business Information System	-	(2,703)
	(876,830)	(150,721)
Increase (decrease) during the year	196,100	(125,588)
Deferred capital contributions, beginning of year	3,811,834	3,937,422
	$ 4,007,934	$ 3,811,834

Unspent amounts at end of year are restricted for the following purposes:

	2004	2003
College Renovation Project	$ 2,938,987	$ 3,000,000
Practical Nurse	623,062	447,098
Infrastructure Renewal	371,773	300,135
Knowledge Network	43,764	43,764
Assistive Technology	25,893	5,273
Instructional Related Equipment	3,564	3,564
Community Initiatives Program	891	12,000
	$ 4,007,934	$ 3,811,834

Note 10 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the funded portion of capital assets which will be recognized in future periods. Changes in the unamortized deferred capital contributions balances are as follows:

	2004	2003
Balance at the beginning of year	$ 18,149,714	$ 19,396,207
Add: Purchase of capital assets (Note 9)	876,830	150,721
Less: Amortization of deferred capital contributions	1,362,597	1,397,214
	$ 17,663,947	$ 18,149,714

Note 11 Lease Obligation

The College has entered into capital leases with interest rates ranging from 9.00% to 18.64% (2003: 9.00% to 18.64%).

	2004	2003
Capital lease obligations	$ 305,502	$ 448,084
Less: current portion	143,584	149,531
	$ 161,918	$ 298,553

The minimum annual payments under capital lease obligations are as follows:

2004 - 2005	182,457
2005 - 2006	182,457
Total minimum lease payments	364,914
Less: Amounts representing interest	59,412
Capital lease obligations	$ 305,502

During the year, interest on capital lease obligations amounting to $42,166 (2003: $35,382) has been charged to expense.

Note 12 Commitments

(a) Lease Commitments

Future minimum annual lease payments under operating leases are:

Fiscal year		
2005	$	1,530,685
2006	$	1,496,785
2007	$	1,480,874
2008	$	1,287,620
2009	$	553,313

(b) Utility Commitment

In order to manage its exposure to the volatility in the electrical industry, the Board of Governors has entered into a five year contract, beginning January 1, 2001, to fix its electrical cost at an average of 8.42 cents a kilowatt hour. Based on 2004 consumption, the annual costs for the year ending June 30, 2005 are expected to be $464,000.

Note 13 Unearned Revenue

Unearned revenue is summarized as follows:

	2004	2003
Tuition fees	$ 1,500,018	$ 1,478,458
Contract programs	169,025	146,317
	$ 1,669,043	$ 1,624,775

Note 14 Provincial Government Contributions and Grants

	2004	2003
Revenue:		
General operating grant	$ 14,920,373	$ 13,534,705
Conditional funding, provincial (Note 8)	1,831,554	1,707,309
	$ 16,751,927	$ 15,242,014

Note 15 Entrepreneurial Contracts and Other Grants

Entrepreneurial contracts and other grants consist of:

	2004	2003
Federal and other governments	$ 5,926,456	$ 5,668,291
Other agencies and private sector	1,269,653	1,718,269
	$ 7,196,109	$ 7,386,560

Note 16 Ancillary and Other Services

Ancillary and other services revenue consist of:

	2004	2003
Ancillary Department	$ 993,927	$ 918,357
Test of Workplace Essential Skills	210,387	281,770
Academic Departments	136,137	133,485
Centre for Career Advancement	99,718	83,524
Information Technology	91,330	113,537
Other Sales	15,157	4,304
	$ 1,546,656	$ 1,534,977

Note 17 Investment Income

	2004	2003
Total investment income	$ 345,749	$ 362,515
Amounts credited directly to endowment principal	-	(4,206)
Transfer to deferred contributions	-	(1,663)
Total investment income recognized as revenue	$ 345,749	$ 356,646

Note 18 Compensation and Benefits

	2004	2003
Salaries, wages, benefits, staff development	$ 23,477,202	$ 21,879,181
Vacation pay	119,446	519,321
Separation payments	9,500	172,266
	$ 23,606,148	$ 22,570,768

Note 19 Pension Expense

Bow Valley College participates in two multi-employer pension plans, Public Services Pension Plan (PSPP) and the Management Employees Pension Plan (MEPP). The expense for these plans was $1,093,392 for the year ended June 30, 2004 (2003 - $816,843).

At December 31, 2003, the PSPP reported an actuarial deficiency of $596,213,000 (2002 - $175,528,000). Effective September 1, 2003, the employers' contribution rates increased by 1.495% of earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and by 2.26% of the excess.

At December 31, 2003, the MEPP reported a deficiency of $290,014,000 (2002 - $301,968,000). Effective April 1, 2003, the employer's contribution rate increased by 2.35%.

Note 20 Supplies and Services

	2004	2003
Professional contracted services	$ 1,739,448	$ 1,890,566
Facility and equipment leases	1,647,881	1,545,638
Maintenance and renovations	1,001,263	951,424
Advertising	980,059	813,538
Instructional and office supplies	688,012	970,150
Utilities	580,017	634,928
Travel	353,353	324,321
Licenses and permits	263,089	252,487
Non-capital furniture and equipment	247,354	198,646
Telecommunications and rentals	201,686	201,143
Insurance	109,742	101,309
Freight and postage	97,491	151,108
Other supplies and services	456,524	587,993
	$ 8,365,919	$ 8,623,251

Note 21 Related Parties

The College is a Provincial Corporation. The members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Alberta Learning.

(a) Transactions between the College and the Province are disclosed in the Statement of Operations and the Statement of Financial Position as follows:

2004

	Revenue	Deferred Contributions and Deferred Capital Contributions	Unamortized Deferred Capital Contributions	Unearned Revenue	Accounts Receivable	Accounts Payable
General operating grant	$ 14,920,373	$ -	$ -	$ -	$ -	$ -
Conditional funding	1,831,554	847,176	757,421	-	75,802	-
	16,751,927	847,176	757,421	-	75,802	-
Contract programs	3,360,825	-	-	136,474	678,972	40,969
	$ 20,112,752	$ 847,176	$ 757,421	$ 136,474	$ 754,774	$ 40,969

2003

	Revenue	Deferred Contributions and Deferred Capital Contributions	Unamortized Deferred Capital Contributions	Unearned Revenue	Accounts Receivable	Accounts Payable
General operating grant	$ 13,534,705	$ -	$ -	$ -	$ -	$ -
Conditional funding	1,707,309	(184,913)	137,588	-	73,798	-
	15,242,014	(184,913)	137,588	-	73,798	-
Contract programs	5,530,671	-	-	114,976	840,706	45,089
	$ 20,772,685	$ (184,913)	$ 137,588	$ 114,976	$ 914,504	$ 45,089

During the year, Bow Valley College had business transactions with other public colleges, technical institutes and universities in Alberta. These transactions were at market prices on normal terms of purchase and sale.

(b) Joint Venture

On December 18, 1998, the Lieutenant Governor in Council approved the incorporation of a corporation, to be owned equally by Bow Valley College, Northern Lakes College, Norquest College, and Portage College. On February 10, 1999, 818196 Alberta Limited was incorporated pursuant to the Alberta Business Corporations Act.

The corporation was created for the purpose of holding the jointly developed intellectual property transferred from her Majesty the Queen in Right of the Province of Alberta as represented by the Minister of Learning. The fair value of the intellectual property transferred cannot be reasonably determined. At June 30, 2004 the corporation was not active.

Note 22 Salaries and Benefits

The salary and benefit disclosure is provided pursuant to Treasury Board Directive 12/98 (as amended July 6, 2004) and includes only the salaries and benefits of those individuals in the senior decision making group of the College.

	2004				2003
	Salary [1]	Other Cash Benefits [2]	Other Non-Cash Benefits [3]	Total	Total
Board of Governors [4]	$ -	$ 8,951	$ -	$ 8,951	$ 9,093
President and Chief Executive Officer	145,750	-	21,833	167,583	190,038
Vice President, College Services	105,000	13,896	17,791	136,687	123,001
Vice President, Learning	105,000	10,464	16,531	131,995	123,631
Vice President, External Relations	105,000	15,634	6,067	126,701	118,637
Director of Development	89,250	6,250	17,354	112,854	106,007
	$ 550,000	$ 55,195	$ 79,576	$ 684,771	$ 670,407

(1) Salary includes pensionable base pay.

(2) Other cash benefits include bonuses, overtime, vacation payouts, lump sum payments and honoraria.

(3) The College's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, out of country medical benefits, group life insurance, accidental death and dismemberment insurance, long and short term disability plan, vehicle allowances, Employment Insurance, Canada Pension Plan,Workers' Compensation, professional memberships, and tuition.

(4) The majority of the eleven College board members do not accept honoraria from the College. Instead, the value of the honoraria not accepted of $8,531 (2003: $8,248) was allocated to student scholarships.

Note 23 Budget

The College is required to submit a budget, approved by the Board of Governors of the College, to the Minister of Alberta Learning for his approval. The 2003-2004 College Budget was approved by the Board of Governors on May 20, 2003.

Revenue

General operating grant	$	14,122,404
Conditional grants		1,741,018
Tuition fees		9,573,878
Contract revenue		7,500,289
Ancillary services		1,337,147
Donations and contributions		253,957
Investment income		300,000
Amortization of deferred capital contributions		1,317,474
	$	36,146,167

Expense

Compensation and benefits	$	22,608,887
Supplies and services		9,366,937
Facility leases		1,337,843
Utilities		609,011
Scholarships and bursaries		163,750
Amortization of capital assets		2,038,739
	$	36,125,167
Excess of revenue over expense	$	21,000

Note 24 Changes in Non-Cash Working Capital

		2004		2003
Decrease (increase) in accounts receivable	$	1,014,930	$	(1,384,405)
Decrease in due from the Ministry of Alberta Learning		-		83,787
(Increase) decrease in inventories		(54,713)		80,261
Decrease (increase) in prepaid expenses		3,737		(3,332)
(Decrease) increase in accrued vacation pay		(75,626)		272,798
(Decrease) in accounts payable and accrued liabilities		(142,894)		(40,877)
Increase in unearned revenue		44,268		198,964
(Decrease) in deferred contributions		(316,930)		(226,116)
	$	472,772	$	(1,018,920)

Note 25 Net Assets Invested in Capital Assets

	2004	2003
Capital assets	$ 22,149,693	$ 22,489,397
Financed by debt	(305,502)	(448,084)
Unamortized deferred capital contributions	(17,663,947)	(18,149,714)
	$ 4,180,244	$ 3,891,599

Note 26 Internally Restricted Net Assets

The Board of Governors has designated the following funds as restricted net assets:

	2004	2003
Facilities improvement	$ 5,703,000	$ 4,800,000
Technology requirements	600,000	600,000
Estate donation	559,543	
Program delivery	296,400	-
Fund development	227,845	-
Board of Governors' scholarship	13,779	227,845 8,248
	$ 7,400,567	$ 5,636,093

Note 27 Joint Venture

In the prior year, the College had a 50% interest in a joint venture for Test of Workplace Essential Skills project. Effective March 31, 2004, the College purchased the remaining 50% ownership of Test of Workplace Essential Skills project.

Note 28 Pledges

In October 2001, the College embarked on a five-year $10,000,000 integrated fundraising campaign. As at June 30, 2004 outstanding pledges were $402,400 (2003: $320,000).

The outstanding pledges have not been recorded as accounts receivable in the financial statements.

Note 29 Comparative Figures

Certain comparative figures have been reclassified to conform with the current year presentation.

Note 30 Approval of Financial Statements

These financial statements were approved by the Board of Governors.

FAIRVIEW COLLEGE
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2004

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of The Northern Alberta Institute of Technology

I have audited the consolidated statement of financial position of the Fairview College as at June 30, 2004 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
September 10, 2004

FAIRVIEW COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2004

	2004	2003
ASSETS		
Current		
Cash (Note 3)	$ 8,258,498	$ 1,750,505
Accounts receivable	755,818	1,402,628
Inventories (Note 4)	228,529	374,448
Prepaid expenses	71,869	60,690
	9,314,714	3,588,271
Investments (Note 5)	5,359,011	11,866,046
Capital assets (Note 6)	18,894,292	18,254,272
	$ 33,568,017	$ 33,708,589
LIABILITIES AND NET ASSETS		
Current		
Accounts payable	$ 706,818	$ 1,114,378
Accrued vacation pay	587,392	846,785
Unearned revenue	56,146	597,924
Deferred contributions (Note 7)	952,387	727,894
	2,302,743	3,286,981
Non-current		
Long term liability (Note 8)	358,863	512,336
Supplementary retirement plans (Note 9)	556,967	524,030
Deferred capital contributions (Note 10)	742,038	512,318
Unamortized deferred capital contributions (Note 11)	10,111,130	10,989,928
	11,768,998	12,538,612
Net assets		
Endowments	2,073,725	2,248,497
Invested in capital assets	8,783,162	7,264,344
Internally restricted (Note 12)	3,485,531	7,905,984
Unrestricted net assets	5,153,858	464,171
	19,496,276	17,882,996
	$ 33,568,017	$ 33,708,589

The accompanying notes are part of these consolidated financial statements.

FAIRVIEW COLLEGE
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2004

	2004		2003
	Budget	Actual	Actual
Revenue			
Grants (Note 15)	$ 13,501,536	$ 14,697,438	$ 13,945,932
Tuition and related fees	2,666,728	2,995,943	2,659,328
Sales, rentals and service	2,368,916	1,943,357	1,958,578
Investments (Note 16)	309,000	359,581	537,716
Educational contracts	766,318	583,076	1,037,663
Donations	130,933	140,585	140,324
	19,743,431	20,719,980	20,279,541
Amortization of deferred capital contributions	1,140,000	1,783,871	1,693,559
	20,883,431	22,503,851	21,973,100
Expense			
Salary and benefits (Notes 17 and 18)	11,353,890	11,654,728	11,960,842
Supplies and services (Note 19)	6,295,485	4,893,872	5,064,007
Amortization of capital assets	1,750,000	2,046,057	1,964,014
Utilities	1,197,555	1,215,564	1,221,172
Cost of goods sold	202,000	623,129	568,337
Loss on disposal of capital assets	-	502,110	367,968
Scholarships and bursaries	84,501	94,195	99,105
	20,454,857	21,029,655	21,245,445
Excess of revenue over expense	$ -	$ 1,474,196	$ 727,655

FAIRVIEW COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2004

	2004					2003
	Endowments	Invested In Capital Assets	Internally Restricted	Unrestricted Net Assets	Total	Total
Excess of revenue over expense	$ -	$ -	-	1,474,196	$ 1,474,196	$ 727,655
External endowment contributions	139,084	-	-	-	139,084	97,611
Transfers						
Acquisition of internally funded capital assets	-	2,318,439	-	(2,318,439)	-	-
Disposal of internally funded capital assets	-	(27,681)	-	27,681	-	-
Amortization of internally funded capital assets	-	(771,940)	-	771,940	-	-
Board appropriations and transfers	(313,856)	-	(4,420,453)	4,734,309	-	-
Increase (Decrease) in net assets	(174,772)	1,518,818	(4,420,453)	4,689,687	1,613,280	825,266
Net assets at beginning of year	2,248,497	7,264,344	7,905,984	464,171	17,882,996	17,057,730
Net assets at end of year	$ 2,073,725	$ 8,783,162	3,485,531	5,153,858	19,496,276	17,882,996

FAIRVIEW COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004

	2004	2003
Operating activities		
Excess of revenue over expense	$ 1,474,196	$ 727,655
Add (deduct) non-cash transactions		
Amortization of capital assets	2,046,057	1,964,014
Change in supplementary retirement plans	32,937	32,768
Change in long term liability (Note 8)	(153,473)	512,336
Loss on disposal of capital assets	502,110	367,968
Amortization of deferred capital contributions	(1,783,871)	(1,693,559)
	2,117,956	1,911,182
Changes in non-cash working capital (Note 20)	(202,688)	59,860
Cash generated from operating activities	1,915,268	1,971,042
Investing Activities		
Acquisition of capital assets	(3,223,512)	(1,045,310)
Proceeds on disposal of capital assets	35,325	38,673
Sale (Purchase) of investments (net of adjustments)	6,507,035	(712,299)
Cash generated from (applied to) investing activities	3,318,848	(1,718,936)
Financing activities		
Capital contributions (Note 10)	1,134,793	(212,725)
Endowment contributions	139,084	97,611
Cash generated from (applied to) financing activities	1,273,877	(115,114)
Increase in cash	6,507,993	136,992
Cash at beginning of year	1,750,505	1,613,513
Cash at end of year	$ 8,258,498	$ 1,750,505

FAIRVIEW COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATMENTS
JUNE 30, 2004

Note 1 Authority and Purpose

Fairview College (the "College") operates under the authority of the Post-Secondary Learning Act, Chapter P-19.2, Statutes of Alberta, 2003. The College is a registered charity and is exempt from the payment of income taxes.

The College, a board governed multi-campus regional college, serves primarily northwestern Alberta with programs leading to careers in agriculture, business administration, trades and related fields.

On April 14, 2003 Fairview College and The Northern Alberta Institute of Technology (NAIT) Boards of Governors entered into a partnership agreement, approved by the Minister of Learning, where the NAIT Board will be responsible for the mandate currently being fulfilled by the Fairview College Board effective July 1, 2004.

The Agreement for the Transfer of Fairview College was signed by the Minister of Learning and the Board of Governors of both Fairview College and NAIT in May 2004. Under this Agreement, all assets, liabilities, net assets, revenues and expenditures will be transferred to NAIT effective July 1, 2004.

Note 2 Significant Account Policies and Reporting Practices

a) Basis of Presentation

These consolidated financial statements include the accounts of the Fairview College Foundation (the "Foundation") which operates under the Alberta Companies Act. The Foundation raises funds for the use of the College and is a registered charitable organization for income tax purposes.

b) Revenue Recognition

Unrestricted contributions are recognized as revenue when they are received.

Externally restricted non-capital contributions are deferred and recognized as revenue in the period the related expenses are incurred.

Externally restricted capital contributions are recorded as deferred capital contributions until the related capital asset is acquired. Contributions for capital assets that will be amortized are transferred to unamortized deferred capital contributions in the period the asset is acquired and are recognized as revenue in the periods the related capital assets are amortized. Contributions for capital assets that will not be amortized, such as land, are recorded as direct increases in net assets in the period the asset is acquired.

Externally restricted endowment contributions are recorded as direct increases in net assets.

Government grants are accounted for as unrestricted or externally restricted contributions in accordance with the terms of the funding.

Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Amounts received for tuition and related fees, sales, rentals and services, and educational contracts are recorded as unearned revenue and recognized as revenue in the period the goods are delivered or the services are provided.

c) Endowments

Endowments represent restricted donations and amounts designated as endowments by the Board of Governors. Principal is to be held intact. Interest earned on endowments must be used in accordance with the conditions imposed by the donors' terms of reference or by Board policy.

d) Internally Restricted Net Assets

Internally restricted net assets are amounts set aside by the College Board of Governors to be used for designated purposes.

e) Investments

Investments are recorded at cost. Gains and losses on investments are recognized in the period of disposal or when there is permanent impairment in the value of an investment.

f) Capital Assets

Capital asset acquisitions are recorded at cost, except that certain capital assets transferred by the Province to the College were recorded at fair value as at June 1983 and June 1986, as determined by independent appraisals. Donated capital assets are recorded at fair value when a fair value can be reasonably determined.

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Building and site improvements	10 to 40 years
Heavy equipment	25 years
Furnishings and other equipment	5 to 10 years
Vehicles and computer equipment	5 years

g) Inventories

Inventories for resale are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

h) Pensions

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's deficit or surplus is not recorded by the College.

Note 3 Cash

Cash funds are invested in a daily interest earning account with a chartered bank. The rates earned during the year ranged from 3.26% to 2.32% (2003: 3.27% to 2.84%).

Note 4 Inventories

	2004	2003
Livestock	$ 123,537	$ 194,887
Bookstore	71,319	120,433
Farm	15,722	26,565
Resale trades	1,812	3,908
Others	16,139	28,655
	$ 228,529	$ 374,448

Note 5 Investments

	2004			2003	
	Effective Yield	Recorded value	Market Value	Cost	Market Value
Short-Term					
Guaranteed Investment Certificates	4.67%	$ 1,582,073	$ 1,582,073	$ 1,970,620	$ 1,970,620
Fixed Income	5.52%	223,104	294,332	437,819	538,616
		1,805,177	1,876,405	2,408,439	2,509,236
Long-Term					
Wood Gundy – fixed income	4.81%	755,261	843,970	4,691,235	5,824,002
Guaranteed investment certificate		-	-	1,522,771	1,522,771
Equity linked note		2,783,928	2,783,928	3,228,580	2,666,138
Cash held by investment manager		14,645	14,982	15,021	15,021
		3,553,834	3,642,880	9,457,607	10,027,932
		$ 5,359,011	$ 5,519,285	$ 11,866,046	$ 12,537,168

Effective yield represents the rate that discounts future cash receipts to the carrying value of the investments at June 30, 2004.

The College's investment objective is to enhance the value of investment while maintaining a low level of risk and providing a dependable source of income to support College operations and objectives. The investment guidelines and procedures restrict the type and amount of investments that may be purchased or held.

Note 6 Capital Assets

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land and improvements	$ 1,589,200	$ -	$ 1,589,200	$ 1,589,200
Buildings and site improvements	53,156,433	38,874,049	14,282,384	14,497,912
Equipment, furnishings and vehicles	11,693,989	8,671,281	3,022,708	2,167,160
	$ 66,439,622	$ 47,545,330	$ 18,894,292	$ 18,254,272

Purchase Option

As part of the transfer of certain capital assets to the College by the Province in 1978 the Province retained an option to repurchase all or any part of the transferred land and buildings for the nominal amount of $1 per purchase. The recorded net book value of the capital assets transferred to the College is $2,014,953 (2003 $2,162,602).

Buildings and Site Improvements

In 1994, the College entered into an agreement with a third party that gives the College the right to use a portion of a certain building in perpetuity. In consideration, the College paid $300,000 which comprises a portion of the construction costs and agreed to pay an amount of $1 annually. This building is included in buildings and site improvements at a net book value of $205,278 (2003 $214,780).

Note 7 Deferred Contributions

Deferred contributions represent unspent contributions externally restricted for non-capital purposes.

	2004	2003
Contributions during the year	$ 969,064	$ 1,280,183
Transferred to revenue	(744,571)	(1,618,395)
Increase (decrease) during the year	224,493	(338,212)
Balance at beginning of year	727,894	1,066,106
Balance at end of year	$ 952,387	$ 727,894
The balance consists of funds restricted for		
Scholarships and bursaries	$ 495,378	$ 473,649
Access program support	43,009	70,610
Apprenticeship program support	414,000	183,635
	$ 952,387	$ 727,894

Note 8 Long Term Liability

The College amalgamation with NAIT resulted in the commitment of paid leave of absences and retirement allowances for senior management positions commencing July 1, 2004 and completing June 30, 2008.

Note 9 Supplementary Retirement Plans

	2004	2003
Supplementary superannuation plan	$ 396,881	$ 396,881
Supplementary retirement plan	160,086	127,149
	$ 556,967	$ 524,030

Note 10 Deferred Capital Contributions

Deferred capital contributions represent unspent capital funds for equipment and infrastructure.

	2004	2003
Contributions during the year		
Grants	$ 1,130,050	$ -
Gifts-in-kind donations	290,079	81,800
	1,420,129	81,800
Transferred to grant revenue (non capital expenditures)	(285,336)	(294,525)
	1,134,793	(212,725)
Transferred to unamortized deferred capital contributions (Note 11)	(905,073)	(541,614)
Increase (decrease) during the year	229,720	(754,339)
Balance at beginning of year	512,318	1,266,657
Balance at end of year	$ 742,038	$ 512,318

Note 11 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent externally restricted capital contributions which have been invested in amortizable capital assets.

	2004	2003
Balance at beginning of year	$ 10,989,928	$ 12,141,873
Add amount transferred from deferred capital contributions (Note 10)	905,073	541,614
Less amount amortized to revenue	(1,783,871)	(1,693,559)
Balance at end of year	$ 10,111,130	$ 10,989,928

Note 12 Internally Restricted Net Assets

Net assets restricted by the Board are held for the following purposes:

	2004	2003
Capital renovations and acquisitions	$ 2,250,508	$ 2,961,167
Enrolment and other initiatives	81,817	3,764,840
Ancillary operations	1,131,286	1,160,208
Scholarship and program specific	21,920	19,769
	$ 3,485,531	$ 7,905,984

These amounts are not available for other purposes without the approval of the Board of Governors.

Note 13 Commitments

The annual commitment for operating costs of the Fairview and District Aquatic Centre:

2004-2005	$	25,000
2005-2006		25,000
2006-2007		25,000
2007-2008		25,000
2008-2009		25,000
Thereafter		25,000

Note 14 Contingent Liability

The College is a defendant in a legal claim. Costs of settling this claim, if any, will be charged to operations upon settlement, which in Management's opinion will not have a material effect on the financial position of the College.

Note 15 Related Party

The College is a Provincial Corporation as all members of the Board of Governors are appointed by combination of Order by the Lieutenant Governor in Council and the Minister of Learning. Grant revenue transactions in the current period and balances at year-end between the College and the Province were as follows:

	2004			
	Deferred Contributions	Deferred Capital Contributions	Grants Revenue	Total
Alberta Learning				
Regular operating	$ -	$ -	$ 12,884,978	$ 12,884,978
Operating and Maintenance	-	-	359,699	359,699
Performance funding	-	-	126,876	126,876
Access	377,670	306,126	472,400	1,156,196
Miscellaneous	372,449	-	-	372,449
Alberta Infrastructure Renewal				-
Infrastructure Maintenance	-	554,000	-	554,000
Alberta Finance	-	-	20,794	20,794
Others	-	269,925	-	269,925
	750,119	1,130,051	13,864,747	15,744,917
Deferred contribution recognized as revenue	(547,355)	(285,336)	832,691	-
	$ 202,764	$ 844,715	$ 14,697,438	$ 15,744,917

	2003			
	Deferred Contributions	Deferred Capital Contributions	Grants Revenue	Total
Alberta Learning				
Regular operating	$ -	$ -	$ 12,404,463	$ 12,404,463
Unfunded enrolment	-	-	83,000	83,000
Access	728,402	-	-	728,402
Miscellaneous	376,332	-	-	376,332
	1,104,734	-	12,487,463	13,592,197
Deferred contribution recognized as revenue	(1,753,394)	294,925	1,458,469	-
	$ (648,660)	$ 294,925	$ 13,945,932	$ 13,592,197

Note 16 Investment Revenue

	2004	2003
Investment earnings		
Unrestricted	$ 176,852	$ 286,642
Internally restricted	68,014	143,501
Endowments	150,619	103,636
Total investment earnings	395,485	533,779
Transfer (to) from deferred contributions	(35,904)	3,937
Investment earnings recognized as revenue	$ 359,581	$ 537,716

Note 17 Salary and Benefits

	2004				2003
	Salaries[1]	Other Cash Benefits [2]	Other Non-Cash Benefits [3]	Total	Total
Board Members					
Chair	$ -	$ 3,857	$ 11	$ 3,868	$ 3,193
Other	-	20,254	173	20,427	24,621
President	122,743	57,716	14,419	194,878	130,433
Vice Presidents					
Student and College Services	100,830	840	17,658	119,328	111,110
Academic Affairs[4]	99,036	-	15,388	114,424	108,656
Deans/Directors					
Director, Resources and Industry Training	86,862	163	19,171	106,196	93,380
Dean, Trades Technologies	82,062	-	10,588	92,650	88,513
Dean, Agriculture Technologies	81,594	-	10,585	92,179	85,225
Dean, Business/Academic Studies[5]	63,932	-	9,246	73,178	62,386

(1) Base salary includes pensionable base pay.

(2) Other cash benefits include bonuses, vacation payments, overtime, lump sum payments, honoraria, and certain professional development expenditures.

(3) Employer's share of all employee benefits including Canada Pension Plan, Employment Insurance, pensions, life insurance, health care, dental coverage, extended health, and taxable benefit of personal usage of employer's vehicle.

(4) The position of Vice President Academic Affairs was occupied by two individuals.

(5) The position of Dean of Business/Academic Studies was occupied for eleven and one half months.

Note 18 Pension Costs

The pension expense recorded in these financial statements is the College's annual contributions to the Local Authorities Pension Plan of $458,960 for the year ended June 30, 2004 (2003 $364,717).

Note 19 Budget

On May 15, 2003, the Board of Governors approved the 2003-04 budget. The budget shown in the Consolidated Statement of Operations differs from the approved budget in the following expense categories:

	Board Approved	Financial Statement
Supplies and services	$ 5,866,911	$ 6,295,485
Transition/enrolment growth	428,574	-

Note 20 Changes in Non-Cash Working Capital

	2004	2003
Accounts receivable	$ 646,810	$ (254,416)
Inventories	145,919	29,616
Prepaid expenses	(11,179)	(11,804)
Accounts payable	(407,560)	138,288
Accrued vacation pay	(259,393)	36,547
Unearned revenue	(541,778)	459,841
Deferred contributions (Note 7)	224,493	(338,212)
	$ (202,688)	$ 59,860

Note 21 Comparative Figures

Certain 2003 figures have been reclassified to conform to 2004 presentation.

Note 22 Approval of Consolidated Financial Statements

These consolidated financial statements were approved by The Northern Alberta Institute of Technology Board of Governors.

GRANDE PRAIRIE REGIONAL COLLEGE
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2004

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of Grande Prairie Regional College

I have audited the consolidated statement of financial position of the Grande Prairie Regional College as at June 30, 2004 and the consolidated statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn FCA
Auditor General

Edmonton, Alberta
September 10, 2004

GRANDE PRAIRIE REGIONAL COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2004

	2004	2003
ASSETS		
Current		
Cash	$ 2,721,492	$ 845,095
Accounts receivable	986,871	1,192,847
Inventories (Note 3)	326,007	304,991
Prepaid expenses	12,766	60,722
	4,047,136	2,403,655
Long-term investments (Note 4)	7,804,460	6,411,048
Capital assets (Note 5)	34,366,755	35,043,204
	$ 46,218,351	$ 43,857,907
LIABILITIES AND NET ASSETS		
Current		
Accounts payable	$ 1,596,048	$ 1,125,915
Accrued vacation pay	1,170,000	1,259,614
Unearned revenue (Note 6)	274,710	199,659
Four-for-five Leave Plan (Note 7)	618,912	465,675
Deferred contributions (Note 8)	598,369	462,539
Obligation under capital lease (Note 9)	114,563	101,896
Long-term debt (Note 10)	36,000	36,000
	4,408,602	3,651,298
Non-current		
Obligation under capital lease (Note 9)	246,413	360,976
Long-term debt (Note 10)	812,000	848,000
Deferred contributions for capital purposes (Note 8)	1,254,569	1,028,888
Unamortized deferred capital contributions (Note 11)	29,726,171	30,418,857
	32,039,153	32,656,721
Net assets		
Endowments (Note 12)	2,817,012	2,753,921
Investment in capital assets	3,431,608	3,277,475
Internally restricted net assets (Note 13)	2,327,070	1,227,146
Unrestricted net assets	1,194,906	291,346
	9,770,596	7,549,888
	$ 46,218,351	$ 43,857,907

The accompanying notes are part of these consolidated financial statements.

GRANDE PRAIRIE REGIONAL COLLEGE
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2004

	2004		2003
	Budget (Note 15)	Actual	Actual
Revenue			
Grants (Note 16)	$ 16,162,606	$ 17,446,173	$ 16,182,897
Tuition and related fees	6,563,354	6,563,352	6,113,173
Sales, rentals and services (Note 17)	2,370,068	2,790,426	2,615,312
Contract programs	1,027,516	1,144,254	953,686
Fund raising and donations	641,000	652,055	666,471
Investments	303,000	427,083	223,286
Gain on disposal of capital assets		-	20,038
	27,067,544	29,023,343	26,774,863
Amortization of deferred capital contributions (Note 11)	1,685,000	1,537,933	1,535,393
	28,752,544	30,561,276	28,310,256
Expense (Note 18)			
Salaries and benefits (Note 19)	18,317,557	18,111,343	17,772,363
Supplies and services	6,192,337	6,187,003	6,266,000
Amortization of capital assets	2,162,000	2,162,871	2,190,129
Utilities	889,765	817,826	903,178
Cost of goods sold	768,885	891,551	788,005
Scholarships and bursaries	135,000	212,280	210,424
Loss on disposal of capital assets		10,785	-
	28,465,544	28,393,659	28,130,099
Excess of revenue over expense	$ 287,000	$ 2,167,617	$ 180,157

GRANDE PRAIRIE REGIONAL COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2004

	2004					2003
	Endowments	Investment in Capital Assets	Internally Restricted Net Assets	Unrestricted Net Assets	Total	Total
Excess of revenue over expense				$2,167,617	2,167,617	$ 180,157
External endowment contributions	53,091				53,091	42,386
Capital Assets Donated					-	35,000
Transfers						
Acquisition of internally funded capital assets		662,510		(662,510)	-	-
Payment of capital lease principal		101,896		(101,896)	-	-
Payment of long term debt principal		36,000		(36,000)	-	-
Net book value of disposal of capital assets		(21,335)		21,335	-	-
Amortization of internally funded capital assets		(624,938)		624,938	-	-
Internal Endowments	10,000	-		(10,000)	-	-
Internal restrictions			1,099,924	(1,099,924)	-	-
Increase (decrease) in net assets	63,091	154,133	1,099,924	903,560	2,220,708	257,543
Net assets at beginning of year	2,753,921	3,277,475	1,227,146	291,346	7,549,888	7,292,345
Net assets at end of year	$ 2,817,012	$ 3,431,608	$ 2,327,070	$1,194,906	$ 9,770,596	$ 7,549,888

GRANDE PRAIRIE REGIONAL COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004

	2004	2003
Operating activities		
Excess of revenue over expense	$ 2,167,617	$ 180,157
Add (deduct) non-cash transactions		
Amortization of capital assets	2,162,872	2,190,129
Loss (gain) on disposal of capital assets	10,785	(20,038)
Amortization of deferred capital contributions	(1,537,933)	(1,535,393)
Amortization of investment discount	(116,633)	(121,792)
	2,686,708	693,063
Changes in non-cash working capital (Note 22)	977,553	129,647
Cash generated from operating activities	3,664,261	822,710
Investing activities		
Proceeds on disposal of capital assets	10,548	25,819
Acquisition of capital assets	(1,507,756)	(1,601,336)
Purchase of investments	(9,796,460)	(9,699,376)
Disposal of investments	8,519,681	9,457,665
Cash applied to investing activities	(2,773,987)	(1,817,228)
Financing activities		
Proceeds of capital loan	-	500,000
Payment of capital lease principal	(101,896)	(90,313)
Payment of long term debt principal	(36,000)	(16,000)
Endowment contributions	53,091	42,386
Property donated	-	35,000
Capital contributions (Note 8)	1,070,928	169,171
Cash generated from financing activities	986,123	640,244
Increase (decrease) in cash	1,876,397	(354,274)
Cash at beginning of year	845,095	1,199,369
Cash at end of year	$ 2,721,492	$ 845,095

GRANDE PRAIRIE REGIONAL COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2004

Note 1 Authority and Purpose

Grande Prairie Regional College (the "College") operates under the authority of the Post Secondary Learning Act, Chapter P-19.5, Revised Statutes of Alberta 2003. The College is a registered charity and is exempt from the payment of income taxes under the Income Tax Act (Canada).

The College's purpose is to provide students with university transfer, on-campus degree completion, career training, post-secondary preparatory and continuing education programs that contribute to the economic and social well-being of the region.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These consolidated financial statements include the accounts of the Grande Prairie Regional College Alumni/Foundation (the "Foundation"), which operates under the Alberta Companies Act and is a registered charitable organization for income tax purposes. The Foundation's activities are directed to the support and advancement of the College.

(b) Revenue Recognition

Unrestricted contributions are recognized as revenue when they are received.

Externally restricted non-capital contributions are deferred and recognized as revenue in the period the related expenses are incurred.

Externally restricted capital contributions are deferred until the related capital asset is acquired. Contributions for capital assets that will be amortized are transferred to unamortized deferred capital contributions in the period the asset is acquired and are recognized as revenue in the periods the related capital assets are amortized. Contributions for capital assets that will not be amortized, such as land, are recorded as direct increases in net assets in the period the asset is acquired.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(b) Revenue Recognition (continued)

Externally restricted endowment contributions are recorded as direct increases in net assets.

Government grants are accounted for as unrestricted or externally restricted contributions in accordance with the terms of funding.

Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Amounts received for tuition and related fees, sales, rentals and services and contract programs are recorded as unearned revenue and recognized as revenue in the period the goods are delivered or the services are provided.

(c) Endowments

Endowments represent restricted donations and amounts designated as endowments by the Board of Directors of the Foundation. Principal is to be held intact. Interest earned on endowments must be used in accordance with the conditions imposed by the donors' terms of reference or by Board policy.

(d) Internally Restricted Net Assets

Internally restricted net assets are amounts set aside by the College Board of Governors to be used for designated purposes.

(e) Long-term Investments

Investments are recorded at cost. Gains and losses on investments are recognized in the period of disposal or when there is an impairment other than temporary, in the value of the investment.

(f) Cash, Receivables, Payables, and Accruals

The carrying value of cash, receivables, payables and accruals approximate their fair values due to the relatively short periods of maturity of the instruments.

(g) Capital Assets

Capital asset acquisitions are recorded at cost, except donated assets which are recorded at fair value when a fair value can be reasonably determined.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(g) Capital Assets (continued)

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	25 to 40 years
Site improvements	25 years
Furnishings and equipment	5 to 15 years
Vehicles	5 years
Library materials	10 years
Leasehold improvements	5 years

(h) Art Collection

The College holds a collection of approximately 2,600 works of donated art, consisting of sketches, limited edition prints, photographs, and some original paintings. The collection is held by the College for educational use and for public exhibition. The Board of Governors passed a resolution requiring the art to be cared for and preserved.

Collection artworks are not recognized as assets in the Consolidated Statement of Financial Position. Any proceeds from their sale or disposal may be used only to acquire other art for the collection or to care for the existing collection. Purchased art added to the collection will be expensed in the year of acquisition. To date, no artwork has been purchased for this collection.

(i) Inventories

Inventories for resale are valued at the lower of cost and estimated net realizable value. Cost is determined on a first-in, first-out basis. Inventories held for consumption are valued at the lower of cost and replacement value.

(j) Pensions

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's deficit or surplus is not recorded by the College.

Note 3 Inventories

	2004	2003
Bookstore	$ 293,717	$ 273,054
Duplicating Services	24,945	22,396
Financial Services	6,358	7,462
Climbing Gym	987	2,079
	$ 326,007	$ 304,991

Note 4 Long-term Investments

	2004		2003	
	Book Value	Market Value	Book Value	Market Value
Bonds and bank notes				
Government of Canada bonds	$ 1,100,000	$ 1,219,251	$ 1,100,000	$ 1,182,401
Provincial bonds	3,568,741	3,588,144	3,217,710	3,347,356
Canadian bank notes	2,060,345	2,060,184	1,018,685	1,017,919
Corporate bonds	530,924	543,855	550,223	569,323
	7,260,010	7,411,434	5,886,618	6,116,999
Equities	544,450	603,626	524,430	511,992
	$ 7,804,460	$ 8,015,060	$ 6,411,048	$ 6,628,991

Note 4 Long-term Investments (continued)

Bonds and bank notes by range of maturity date are as follows:

	2004		
	Book Value	Market Value	Effective Yield to Maturity
Maturity 1 - 5 years	$ 4,415,639	$ 4,590,390	4.2%
Maturity 6 - 10 years	1,392,787	1,432,598	5.8%
Maturity 11- 15 years	1,221,729	1,173,302	5.7%
Maturity 16- 20 years	229,855	215,144	5.9%
	$ 7,260,010	$ 7,411,434	4.6%

The market value may fluctuate with changes in current interest rates. Market values may decrease if interest rates increase and market values may increase if interest rates decrease.

Term to maturity is based upon the contractual maturity of the security. Effective yield represents the rate that discounts future cash receipts to the carrying value of the investments at June 30, 2004

Where fair value is less than cost, in management's best judgment, and based on market trends, the fair value will likely recover over time.

Note 5 Capital Assets

	2004			2003
	Cost	Amortization Accumulated	Net Book Value	Net Book Value
Land	$ 713,631	$ -	$ 713,631	$ 713,631
Buildings	50,545,768	19,869,287	30,676,481	31,175,999
Site improvements	1,279,036	1,170,050	108,986	134,624
Furnishings, equipment and vehicles	11,218,849	9,133,017	2,085,832	2,269,243
Library materials	1,588,777	806,952	781,825	749,707
	$ 65,346,061	$ 30,979,306	$ 34,366,755	$ 35,043,204

Note 6 Unearned Revenue

	2004	2003
Tuition and other student fees	$ 106,210	$ 191,441
Sales, rentals and services	168,500	8,218
	$ 274,710	$ 199,659

Note 7 Four-for-five Leave Plan

Employees of the College who are members of the Academic Staff Association or the Employees Association are eligible to apply for a four-for-five leave plan. Employees' contributions are held by the College until the leave period when they are paid to the employee as salary with a matching amount from the College. Employees' contributions are held by the College and recorded as a liability. The College matching amount and interest earned on the employees' contributions are also recorded as a liability until paid to the employee.

	2004	2003
Employees' contributions held by College	$ 296,421	$ 228,042
College matching contributions	296,421	228,042
Interest held on employees' contributions	26,070	9,591
	$ 618,912	$ 465,675

Note 8 Deferred Contributions

Deferred contributions represent unspent funds externally restricted. Changes in the deferred contributions balances for non-capital and for capital purposes are as follows:

Deferred contributions - conditional grants, donations, and other deferred contributions

	2004	2003
Contributions received during the year	$ 1,363,316	$ 1,524,441
Transferred from deferred contributions- capital	339,576	291,459
Transferred to revenue	(1,513,971)	(1,732,847)
Transferred to endowments	(53,091)	(42,285)
Decrease during the year	135,830	40,768
Balance at beginning of year	462,539	421,771
Balance at end of year	$ 598,369	$ 462,539
The balance consists of funds restricted for:		
Scholarships and bursaries	$ 383,963	$ 330,703
Theatre	72,274	75,221
S.J. Alward library fund	9,405	7,169
Other	132,727	49,446
	$ 598,369	$ 462,539

Deferred contributions - capital purposes

	2004	2003
Contributions received during year	$ 1,410,504	$ 460,630
Transferred to deferred contributions - operating	(339,576)	(291,459)
Transferred to unamortized deferred capital contributions (Note 11)	(845,247)	(469,085)
Increase (decrease) during the year	225,681	(299,914)
Balance at beginning of year	1,028,888	1,328,802
Balance at end of year	$ 1,254,569	$ 1,028,888

Note 9 Obligation Under Capital Lease

The following is a schedule of future minimum annual lease payments:

2005	139,341
2006	143,521
2007	122,391
Total minimum lease payments	405,253
Less amount representing interest	44,277
Capital lease obligation	360,976
Less current portion	114,563
Non-current portion	$ 246,413

The capital lease obligation bears interest at 7.1% and expires on May 4, 2007.

Note 10 Long-Term Debt

	Principal Outstanding	
	2004	2003
Student Residence		
Resources Place Phase I- debenture [(a)]	$ 368,000	$ 384,000
Resources Place Phase II- debenture [(b)]	480,000	500,000
Less current portion	(36,000)	(36,000)
	$ 812,000	$ 848,000

Note 10 Long-Term Debt (continued)

[a] On November 15, 2001, the College borrowed the sum of $400,000 from Alberta Capital Finance Authority as a construction loan to build a new student residence. The loan bears interest at 6% and matures November 15, 2026 with 25 annual payments of principal and interest beginning November 15, 2002.

The repayment of principal in the next five fiscal years is as follows:

2005	$ 16,000
2006	16,000
2007	16,000
2008	16,000
2009	16,000

The student residence loan is secured by a general security agreement over all proceeds derived directly or indirectly from the operations of the residence building named Resources Place.

[b] On July 15, 2002, the College borrowed the sum of $500,000 from Alberta Capital Finance Authority as a construction loan to build a new student residence. The loan bears interest at 6.125% and matures July 15, 2027 with 25 annual payments of principal and interest beginning July 15, 2003.

The repayment of principal in the next five fiscal years is as follows:

2005	$ 20,000
2006	20,000
2007	20,000
2008	20,000
2009	20,000

The student residence loan is secured by a general security agreement over all proceeds derived directly or indirectly from the operations of the residence building named Resources Place.

Note 11 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the externally funded portion of capital assets, which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contribution balance are as follows:

	2004	2003
Balance at beginning of year	$ 30,418,857	$ 31,485,165
Add amount transferred from deferred contributions (Note 8)	845,247	469,085
Less amount amortized to revenue	(1,537,933)	(1,535,393)
Balance at end of year	$ 29,726,171	$ 30,418,857

Note 12 Endowments

Endowments are comprised of donations received by the organization and interest earnings that have been redirected to principal as requested by the donor of the original endowment. Externally restricted endowments are required to be maintained intact in accordance with the donor's wishes.

	Balance at Beginning of Year	Contributions and Transfers	Reinvested Earnings	Balance at End of Year
Externally Restricted				
Scholarships fund	$ 1,210,353	$ 52,745	$ 346	$ 1,263,444
S.J. Alward library fund	618,550			618,550
	1,828,903	52,745	346	1,881,994
Internally Restricted				
Scholarships fund	472,127	10,000		482,127
Athletic fund	300,902			300,902
Theatre fund	78,682			78,682
Foundation fund	73,307			73,307
	925,018	10,000	-	935,018
	$ 2,753,921	$ 62,745	$ 346	$ 2,817,012

Note 12 Endowments (continued)

The S.J. Alward library fund contains funds contributed by the Alward estate and the Province of Alberta matching grants for use in connection with the College Library. These funds were placed in the library endowment fund by the Grande Prairie Regional College Foundation Board of Directors, with the agreement of the Alward Estate.

Note 13 Internally Restricted Net Assets

The Management of the College with the approval of the Board of Governors has placed restrictions on the spending of a portion of the accumulated excess of revenue over expenditure for specific purposes as shown below.

The Management of the College may spend these internally restricted amounts for these purposes. They are not available for any other purposes without the approval of the Board.

	2004	2003
Capital		
Student residence	$ 292,407	$ 102,456
Physical activity centre	48,653	77,468
Other departments	67,438	71,878
Duplicating Services	50,000	50,000
	458,498	301,802
Non-capital		
College operating expenses	1,559,862	624,430
Foundation - internally restricted	308,710	300,914
	1,868,572	925,344
	$ 2,327,070	$ 1,227,146

Note 14 Commitments

Professional Leave

Effective August 15, 1998, the College has agreed under Article 12 of the collective agreement with the Academic Staff Association to provide a total of 48 months of paid professional leave to members of the Academic Staff Association each contract period (August 15 to August 14). Members of the Administrative Group may request approval for paid professional leave.

At June 30, 2004, the following commitments have been made under the above agreement, for which no provision has been made in the financial statements.

	2004	2003
Academic Staff		
July 1, 2004 to August 14, 2004	$ 27,911	$ 28,139
August 15, 2004 to August 14, 2005	250,144	262,226
	$ 278,055	$ 290,365

Note 15 Budget

On April 24, 2003 the Board of Governors approved a revenue and expense budget for Grande Prairie Regional College for 2003-2004. The budget approved provided an annual operating excess of revenue over expense of $287,000. On March 18, 2003 the Board of Directors of the Foundation approved a budget for 2003-04 with operating revenue equal to expense.

The two budgets have been consolidated and presented in the Consolidated Statement of Operations.

Note 16 Grants Revenue

	2004	2003
Departments of Learning and Infrastructure		
Base	$ 16,284,188	$ 15,223,495
Conditional	942,487	724,280
Province of Alberta, other	139,109	185,459
	17,365,784	16,133,234
Government of Canada	80,389	49,663
	$ 17,446,173	$ 16,182,897

Note 17 Sales, Rentals and Services

	2004		
	Revenue	Expense	Net
Student Residence	$ 674,713	$ 477,246	$ 197,467
Parking	183,257	6,601	176,656
Bookstore	1,059,838	982,952	76,886
Food Services and Vending	43,331	3,789	39,542
Conference Services	28,366	142	28,224
Sale of Logs	75,952	68,632	7,320
Fitness Centre	153,113	158,636	(5,523)
Climbing Gym	67,515	77,741	(10,226)
Other	504,341	137,154	367,187
	$ 2,790,426	$ 1,912,893	$ 877,533

	2003		
	Revenue	Expense	Net
Sale of Logs	$ 197,796	$ 177,022	$ 20,774
Parking	128,901	2,724	126,177
Bookstore	1,021,311	967,999	53,312
Food Services and Vending	42,474	6,298	36,176
Conference Services	30,298	5,197	25,101
Research Unit	25,434	23,601	1,833
Fitness Centre	135,558	131,212	4,346
National Volleyball Event	921	188	733
Student Residence	566,074	578,269	(12,195)
Climbing Gym	69,425	88,414	(18,989)
Other	397,120	7,379	389,741
	$ 2,615,312	$ 1,988,303	$ 627,009

Note 18 Expense

Expense is summarized by function as follows:

	2004	2003
Direct instruction	$ 13,459,649	$ 13,845,314
Institutional support	7,187,267	6,545,931
Amortization of capital assets	2,162,872	2,190,129
Academic support	1,750,744	1,810,527
Ancillary services	1,753,774	1,988,303
Student services	1,856,288	1,539,471
Scholarships	212,280	210,424
Loss on disposal of capital assets	10,785	-
	$ 28,393,659	$ 28,130,099

Direct instruction encompasses all formal educational and instructional program elements. Institutional support includes all activities that provide College-wide support to other programs. Academic support includes all activities that directly support the educational and instructional elements such as academic, administration, library, and audio-visual services. Student services include all activities or services to the student body of the College.

Note 19 Salaries and Benefits

	2004				2003
	Base Salaries(1)	Other Cash Benefits (2)	Other Non cash Benefits (3)	Total	Total
Chairman of the Board(5)	$ -	$ 4,953	$ 81	$ 5,034	$ 5,257
Board Members(5)	-	32,036	227	32,263	30,848
President(4)	123,000	-	22,014	145,014	143,902
Past President(4)(6)	-	-	-	-	19,836
Vice Presidents					
Academic(4)	109,050	-	20,814	129,864	120,335
College Services(4)	113,412	-	20,814	134,226	128,564
Executive Director					
Advancement(4)	93,206	-	20,516	113,722	105,082
Directors					
Workforce Development	79,672	-	13,560	93,232	85,902
Computer and Telecommunication Services	94,420	-	14,818	109,238	100,902
Human Resources	93,206	-	14,706	107,912	99,296
Financial Services	86,172	-	14,066	100,238	92,319
Campus Operations	93,206	-	14,781	107,987	99,364
Registrar	93,206	-	14,706	107,912	99,296

(1) Base salary includes pensionable base pay.

(2) Other cash benefits include Board of Governors Honorarium

(3 Other non-cash benefits represent the College's share of employee benefits including Canada pension Plan, Employment Insurance, pensions, health care, dental coverage, group life insurance, accidental death and dismemberment insurance and car allowances.

(4) An automobile allowance is provided to the President, Vice-President – Academic and the Vice-President – College Services of the College and to the Executive Director – Advancement of the Foundation. Automobile allowances are included in the amounts reported in this note as Other non-cash benefits.

(5) The Chairman of the Board and three Board members donated a portion of their remuneration to the Grande Prairie Regional College Foundation in the amount of $6,163, (2003 - $6,410).

(6) Employee benefits include $ nil for vacation paid (2003 - $9,697).

Note 20 Pension Costs

The College participates in a multi-employer pension plan, Local Authorities Pension Plan (LAPP). The expense for this plan is $778,306 for the year ended June 30, 2004 (2003 - $697,946).
At December 31, 2003 the LAPP reported a deficit of $1,410,697,000 (2003 - $444,980,000). Effective January 1, 2003, the employee's contribution rate was increased by 0.5%, and an additional 1.0775% effective January 1, 2004.

Note 21 Related Party

Province of Alberta

The College is a Provincial Corporation as all members of the Board of Governors are appointed by combination of an Order by the Lieutenant Governor in Council and the Minister of Learning. Grants revenue transactions between the College and the Province are disclosed in the College consolidated financial statements as follows:

	2004		
	Revenue	Transferred to Unamortized Capital Contributions	Deferred Contributions
Operations	$ 15,970,490	$ -	$ -
Performance	154,698	-	-
Access	602,911	832	10,256
Infrastructure renewal	338,508	233,125	1,091,913
Site evaluation	1,067	-	-
Other	298,110	-	-
	$ 17,365,784	$ 233,957	$ 1,102,169

	2003		
	Revenue	Transferred to Unamortized Capital Contributions	Deferred Contributions
Operations	$ 15,211,495	$ -	$ -
Access	427,472	12,141	11,088
Infrastructure renewal	272,526	62,575	925,546
Site evaluation	18,933	-	1,067
Unfunded enrolment	12,000	-	-
Other	190,808	-	-
	$ 16,133,234	$ 74,716	$ 937,701

During the year the College had business transactions with other entities controlled by the Province of Alberta. These transactions were at market prices on normal terms of purchase and sale.

Note 22 Changes in Non-cash Working Capital

	2004	2003
Accounts receivable	$ 205,976	$ (120,302)
Inventories	(21,016)	(30,129)
Prepaid expenses	47,956	(12,893)
Accounts payable	470,133	(59,439)
Accrued vacation pay	(89,614)	71,441
Unearned revenue	75,051	83,084
Four-for-five Leave Plan	153,237	157,117
Deferred contributions	135,830	40,768
	$ 977,553	$ 129,647

Note 23 Approval of Financial Statements

These consolidated financial statements were approved by the Board of Governors.

GRANT MacEWAN COLLEGE
CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2004

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Revenue and Expense

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of Grant MacEwan College

I have audited the consolidated statement of financial position of Grant MacEwan College as at June 30, 2004 and the consolidated statements of revenue and expense, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

FCA
Auditor General

Edmonton, Alberta
September 30, 2004

GRANT MacEWAN COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2004

	2004	2003
ASSETS		
Current:		
Cash and temporary investments	$ 16,228,241	$ 14,835,831
Accounts receivable	2,312,326	2,166,037
Inventories (Note 3)	2,222,023	1,780,469
Prepaid expenses	552,506	562,659
	21,315,096	19,344,996
Investments (Note 4)	25,455,046	24,150,300
Capital assets (Note 5)	163,865,326	152,749,450
	$ 210,635,468	$ 196,244,746
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 8,637,446	$ 7,371,645
Accrued vacation pay	4,613,234	4,394,847
Unearned revenue (Note 6)	3,240,126	4,247,456
Deferred contributions (Note 7)	4,025,940	1,922,188
Current portion of long term debt	197,284	184,992
	20,714,030	18,121,128
Deferred capital contributions (Note 7)	2,168,509	1,789,213
Unamortized deferred capital contributions (Note 8)	94,351,412	99,075,827
Long term debt (Note 9)	14,893,385	6,090,670
	132,127,336	125,076,838
Net Assets:		
Endowments (Note 10)	11,256,677	10,269,591
Investment in capital assets	54,423,245	47,397,962
Internally restricted net assets	279,149	411,332
Unrestricted	12,549,061	13,089,023
	78,508,132	71,167,908
	$ 210,635,468	$ 196,244,746

The accompanying notes and schedules are part of these financial statements.

GRANT MacEWAN COLLEGE
CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED JUNE 30, 2004

	2004	2003
Revenue		
Grants (Note 11)	$ 51,798,289	$ 48,818,463
Tuition and related fees	45,163,552	41,491,656
Sales, rentals and services	17,574,367	16,082,960
Amortization of deferred capital contributions (Note 8)	4,871,735	4,915,159
Contract programs	3,931,351	3,930,582
Donations	2,345,710	2,315,738
Investment earnings (loss) (Note 12)	1,779,849	(982,148)
	127,464,853	116,572,410
Expense		
Salaries and benefits (Note 14)	78,863,320	73,690,895
Supplies and services	21,197,893	20,457,290
Amortization of capital assets	9,313,262	8,792,920
Cost of goods sold	6,848,876	6,235,870
Utilities	3,309,242	3,391,325
Scholarships and bursaries	880,457	618,521
Interest on long term debt	384,559	383,627
	120,797,609	113,570,448
Excess of revenue over expense	$ 6,667,244	$ 3,001,962

GRANT MacEWAN COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004

	2004					2003
	Endowments (Note 10)	Investment in Capital Assets	Internally Restricted	Unrestricted	Total	Total
Excess of revenue over expense	$ -	$ -	$ -	$ 6,667,244	$ 6,667,244	$ 3,001,962
Endowment contributions	458,340				458,340	573,125
Transfers for:						
Endowments	214,640				214,640	(1,318,692)
Acquisition of internally funded capital assets		11,438,611		(11,438,611)	-	-
Repayment of debt related to capital assets		184,992		(184,992)	-	-
Amortization of internally funded capital assets		(4,441,527)		4,441,527	-	-
Disposal of internally funded assets		(156,793)		156,793	-	-
Net appropriations to restricted funds	314,106		(132,183)	(181,923)	-	-
Increase (decrease) in net assets	987,086	7,025,283	(132,183)	(539,962)	7,340,224	2,256,395
Net assets at beginning of year	10,269,591	47,397,962	411,332	13,089,023	71,167,908	68,911,513
Net assets at end of year	$ 11,256,677	$ 54,423,245	$ 279,149	$ 12,549,061	$ 78,508,132	$ 71,167,908

GRANT MacEWAN COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

	2004	2003
Operating activities:		
Excess of revenue over expense	$ 6,667,244	$ 3,001,962
Non-cash transactions:		
Amortization of capital assets	9,313,262	8,792,920
Loss on disposal of capital assets	142,870	29,437
Loss on write-down of investments	-	2,228,349
Amortization of deferred capital contributions	(4,871,735)	(4,915,159)
	11,251,641	9,137,509
Change in non-cash working capital (Note 13)	(744,797)	(2,182,056)
Cash generated from operating activities	10,506,844	6,955,453
Investing activities:		
Acquisition of capital assets:		
Internally funded	(11,438,611)	(10,180,548)
Externally funded	(147,320)	(3,175,660)
Debt funded	(9,000,000)	(272,947)
Proceeds on disposal of capital assets	13,923	8,266
Disposal (acquisition) of long term investments	(1,090,106)	684,853
Cash applied to investing activities	(21,662,114)	(12,936,036)
Financing activities:		
Endowment contributions	458,340	573,125
Capital asset contributions (Note 8)	147,320	3,175,660
Deferred capital contributions	379,296	32,423
Increase (decrease) in construction payables	2,747,717	(1,070,381)
Increase in long-term debt	8,815,007	107,910
Cash generated from financing activities	12,547,680	2,818,737
Increase (decrease) in cash and temporary investments	1,392,410	(3,161,846)
Cash and temporary investments, beginning of year	14,835,831	17,997,677
Cash and temporary investments, end of year	$ 16,228,241	$ 14,835,831

Note 1 Authority and Purpose

Grant MacEwan College operates under the authority of the Post Secondary Learning Act Chapter P-19.5, Statutes of Alberta 2003. The College offers applied degree, diploma and certificate programs in arts and science, business, health and community studies, and performing, visual and communication arts. The College also offers first and second year university transfer programs in arts and science, physical education, nursing, engineering and commerce. Through its outreach activities, the College offers credit and non-credit courses in these programs on an outreach basis within greater Edmonton, and on brokerage and outreach basis to other areas of the Province, nationally and beyond.

The College is exempt under Section 149 of the Income Tax Act from payment of income taxes.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Consolidated Financial Statements

These consolidated financial statements include the accounts of the Grant MacEwan College Foundation, which operates under part 9 of the Companies Act of Alberta for the support and advancement of the College. The Foundation is a registered charity and is exempt from payment of income taxes.

(b) Revenue Recognition

Unrestricted contributions are recognized as revenue in the period they are receivable.

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the conditions of the grant are met. Non-capital donations of materials and services that would otherwise have been purchased are accounted for as externally restricted non-capital contributions, and are recorded at fair value when a fair value can be reasonably estimated.

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested in capital assets. Contributions for capital assets that will be amortized are transferred to unamortized deferred capital contributions in the period the asset is acquired. Contributions for capital assets that will not be amortized, such as land and art collections, are recorded as direct increases in net assets in the period the asset is acquired. Capital donations of assets that would otherwise be purchased are accounted for as externally restricted capital contributions, and are recorded at fair value when a fair value can be reasonably estimated.

Unamortized deferred capital contributions are recognized as revenue in the periods in which the related capital assets are amortized. The related portion of amortization expense and the deferred capital contributions revenue are matched to indicate how the related amortization expense has been funded. Unamortized deferred capital contributions relating to capital assets disposed of are recognized as revenue in the period of disposal, provided that all restrictions have been complied with.

Government grants are accounted for as unrestricted contributions or externally restricted contributions in accordance with the terms of funding.

Externally restricted contributions made for endowment purposes are not recognized as revenue, but are recorded as direct increases in net assets.

Investment earnings on unrestricted contributions are recognized as revenue when realized. Investment earnings on externally restricted endowments are recognized when the related expenditures have been incurred.

Amounts received for tuition fees, contract programs and sales, rentals and services are classified as unearned revenue and recognized as revenue in the period the goods are delivered or the services are provided.

(c) Valuation of Accounts Receivable, Accounts Payable and Accrued Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable , willing parties who are under no compulsion to act. The fair value of accounts receivable, accounts payable, accrued liabilities, and holdbacks are estimated to approximate their carrying values.

(d) Investments

Investments are recorded at market value or amortized cost (whichever is lower). Gains and losses on investments are recognized upon liquidation, or when there is other than temporary impairment in the value of an investment. The measurement of the value of the long term investments is contingent upon future events in the financial markets; therefore, the preparation of these statements requires the use of estimates, which may vary from actual results.

(e) Capital Assets

Capital asset acquisitions are recorded at cost, except donated assets which are recorded at fair market value. Land and art collections are not amortized.

Capital assets (including equipment under capital lease) are amortized on a straight-line basis over the following average useful lives:

Buildings and site improvements	10 to 40 years
Furniture, equipment and vehicles	10 years
Library materials	10 years
Computers and telecommunications equipment	5 years

(f) Inventories

Inventories for resale are valued at the lower of cost or net realizable value, with cost determined on a moving average basis.

(g) Pension Obligation and Expense

The College and its eligible employees participate in the Local Authorities Pension Plan which is a multi-employer defined benefit plan. The College records an expense for pension benefits equivalent to the annual contributions payable during the year. Accounting treatment for multi-employer pension plans is the same as for defined contribution plans and, therefore, no plan deficits or surplus' are recorded in the College accounts.

Note 3 Inventories

	2004	2003
Bookstores	$ 2,046,784	$ 1,647,729
Other inventories	175,239	132,740
	$ 2,222,023	$ 1,780,469

Note 4 Investments

(a) Temporary Investments

Temporary investments consist of deposits in the Consolidated Cash Investment Trust Fund (CCITF) with the objective of providing competitive interest income to the depositors while maintaining maximum security and liquidity of depositors' capital.

(b) Long-Term Investments

	2004		2003
	Market Value	Adjusted Cost	Adjusted Cost
Pooled Funds			
Common stocks and equivalents	$ 16,723,764	$ 16,265,207	$ 16,161,144
Fixed income securities	6,332,734	6,291,318	6,277,018
Cash and equivalents	1,998,667	1,998,667	865,364
Cash surrender value of planned gifts (life insurance policies)	581,545	581,545	555,832
Other	318,309	318,309	290,942
	$ 25,955,019	$ 25,455,046	$ 24,150,300

Investments are recorded at cost. In 2002/03, common stocks were written down to reflect the impairment in value that were other than temporary.

Note 5 Capital Assets

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 22,765,730	$ -	$ 22,765,730	$ 21,956,424
Buildings and site improvements	156,286,331	(42,550,598)	113,735,733	112,601,393
Furniture, equipment and vehicles	17,293,149	(9,995,050)	7,298,099	7,052,364
Library materials	8,016,199	(5,115,371)	2,900,828	2,647,078
Computers and telecommunications equipment	21,626,870	(15,297,414)	6,329,456	6,093,713
Equipment under capital lease	272,947	(80,062)	192,885	236,557
Art collection	248,429	-	248,429	211,492
Projects in progress	10,394,166	-	10,394,166	1,950,429
	$ 236,903,821	$ (73,038,495)	$ 163,865,326	$ 152,749,450

Note 6 Unearned Revenue

	2004	2003
Contract programs & tuition fees	$ 2,516,620	$ 2,279,074
Program deposits	500,053	1,735,672
Ancillary services - MacEwan Centre for Sport & Wellness	223,453	232,710
	$ 3,240,126	$ 4,247,456

Note 7 Deferred Contributions

	2004	2003
Contributions received and receivable:		
Grants - Province of Alberta	$ 9,633,810	$ 8,760,491
Grants - Other	568,696	663,916
Donations	1,387,165	1,372,074
Investment loss (Note 12)	-	(625,057)
	11,589,671	10,171,424
Transferred to revenue:		
Grants:		
Grants - Province of Alberta (Note 11)	(7,481,969)	(9,437,793)
Grants - Other (Note 11)	(549,931)	(697,858)
Donations	(863,392)	(586,982)
Investment earnings (Note 12)	(64,011)	(607,546)
	(8,959,303)	(11,330,179)
Transferred (to)/from:		
Unamortized deferred capital contributions (Note 8)	(147,320)	(3,175,660)
Increase (decrease) during the year	2,483,048	(4,334,415)
Deferred contributions, beginning of year	3,711,401	8,045,816
Deferred contributions, end of year	$ 6,194,449	$ 3,711,401

The balance of deferred contributions is comprised of:

	2004	2003
Scholarships and bursaries	$ 581,932	$ 698,779
Program delivery	3,444,008	1,223,409
	4,025,940	1,922,188
Capital projects	2,168,509	1,789,213
	$ 6,194,449	$ 3,711,401

Note 8 Unamortized Deferred Capital Contributions

	2004	2003
Balance at beginning of year	$ 99,075,827	$ 100,815,326
Transferred from deferred contributions (Note 7)	147,320	3,175,660
Less amount amortized to revenue	(4,871,735)	(4,915,159)
Balance at end of year	$ 94,351,412	$ 99,075,827

Unamortized deferred capital contributions represent the external funding of capital assets which will be recognized as revenue in future periods.

Note 9 Long-term Debt

The College issued a debenture of $6,400,000 at the rate of 6.25% per annum to Alberta Capital Finance Authority on April 3, 2000 to finance the construction of a stand-alone parking facility at the City Centre Campus. The debenture matures on April 3, 2025. The debenture is secured by the future revenue of the parkade.

Repayment of the principal and interest is funded by revenues generated from the parkade. The repayment schedule for the next five fiscal years is as follows:

2005	$	512,606
2006		512,606
2007		512,606
2008		512,606
2009		512,606
Total	$	2,563,030

The following is a schedule of future minimum payments under the capital lease expiring August 31, 2007 together with the balance of the obligation under capital lease. The repayment schedule for the next four fiscal years is as follows:

2005	$	65,760
2006		65,760
2007		65,760
2008		11,118
Total	$	208,398

The College issued a debenture of $41,000,000 to Alberta Capital Finance Authority on April 30, 2004 to finance the construction of a student residence building at City Centre Campus. A $9,000,000 draw on debenture was made on June 15, 2004. The rate of interest is 2.5% per annum from June 15, 2004 to June 15, 2005, and 5.8485% thereafter. The debenture matures on June 15, 2030. The debenture is secured by future revenue of the student residence. The repayment schedule for the next five fiscal years is as follows:

2005	$	-
2006		3,141,283
2007		3,141,283
2008		3,141,283
2009		3,141,283
Total	$	12,565,132

Note 10 Endowments

	2004	2003
Endowments consist of funds held to provide scholarships and support College programs:		
Externally funded	$ 11,576,472	$ 10,914,450
Internally funded	784,257	673,833
	12,360,729	11,588,283
Transfer for endowments	(1,104,052)	(1,318,692)
	$ 11,256,677	$ 10,269,591

Note 11 Grants

	2004	2003
Province of Alberta		
Base operating grant	$ 43,766,389	$ 38,682,812
Earned conditional funding	7,481,969	9,437,793
	51,248,358	48,120,605
Earned conditional Government of Canada funding	549,931	697,858
	$ 51,798,289	$ 48,818,463

Note 12 Investment Earnings

	2004	2003
Gain/(Loss) on restricted endowments	$ 587,405	$ (1,943,749)
Gain/(Loss) on unrestricted investments	1,343,073	(1,589,694)
Total investment gain (loss) income for the year	1,930,478	(3,533,443)
Loss (gain) charged to restricted endowments	(214,640)	1,318,692
Transfer from deferred contributions (Note 7):		
- to cover endowed scholarships/projects	64,011	607,546
- to cover current year investment loss related to restricted endowments	-	625,057
	64,011	1,232,603
Total investment income (loss) recognized as revenue (expense)	$ 1,779,849	$ (982,148)

Note 13 Changes in Non-cash Working Capital

	2004	2003
Accounts receivable	$ (146,289)	$ 81,054
Inventories	(441,554)	(640,148)
Prepaid expenses	10,155	137,306
Accounts payable and accrued liabilities	(1,481,918)	1,800,608
Accrued vacation pay	218,387	207,736
Unearned revenue	(1,007,330)	598,226
Deferred contributions	2,103,752	(4,366,838)
	$ (744,797)	$ (2,182,056)

Note 14 Salary & Benefits Disclosure

	2004				2003
	Base Salary (1)	Other Cash Benefits (2)	Other Non-cash Benefits (3)	Total	Total
Chairman of the Board	$ -	$ 4,180	$ 160	$ 4,340	$ 6,270
New Chairman of the Board	-	2,613	67	2,680	-
Board Members	-	30,600	198	30,798	27,521
President (4)	216,120	-	18,887	235,007	191,939
Executive/Vice Presidents:					
Vice President Resources	144,828	-	17,462	162,290	149,613
Executive Vice President Academic(a)	145,798	-	18,063	163,861	148,708
Vice President External Relations (d)	65,125	-	-	65,125	99,924
Vice President Student Services (c)	107,551	-	13,221	120,772	103,448
Chief Technology Officer (e)	98,214	-	15,932	114,146	-
Executive Director, Academic Affairs (b)	101,827	18,878	16,908	137,613	121,948
Executive Director, Human Resources	107,461	-	13,479	120,940	113,494
Executive Director, Strategic Planning	104,443	-	13,484	117,927	112,774
Chief Financial Officer	127,112	-	17,115	144,227	137,446

(1) Base salary includes pensionable base pay.

(2) Other cash benefits includes bonuses, overtime, lump sum payments and honoraria.

(3) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, out-of-country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plan, professional memberships and tuition. Other non-cash benefits figure also includes the employer's share of the cost of additional benefits including sabbaticals or other special leave with pay, financial planning services, retirement services, concessionary loans, travel allowances, car allowances, and club memberships.

(4) The college provides an automobile, the value of which is not included in other non-cash benefit figures.

(a) Title change from Vice President, Academic

(b) Title change from Dean-Academic Affairs

(c) Title change from Executive Director, Student Services

(d) This position has been vacant since December 31, 2003

(e) This is a new position effective August, 2003.

The College contributed $3,258,874 (2003: $2,258,919) to the Local Authorities' Pension Plan on behalf of employees. This amount has been recognized as a benefit expense in the College accounts in the year the contributions were made.

Note 15 Related Party Transactions

The College is a Provincial Corporation as all of the members of the Board of Governors are appointed either by the Colleges Act / Post Secondary Learning Act or by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning.

During 2004, the College provided courses to provincial government departments and participated in offering certain courses with other post-secondary institutions. The revenues and expenses incurred for these courses have been included in the consolidated statement of revenue and expense but have not been separately quantified. These transactions were entered into on the same business terms as with non-related parties and are recorded at these fair value amounts. Transactions with the Province of Alberta are disclosed in Note 11 to these financial statements.

At June 30, 2004 the College had unspent funds of $2,392,562 which were received from the Province of Alberta for capital and non-capital projects. These amounts are classified as deferred contributions and are required to be spent on capital and non-capital projects as agreed upon between the College and the Province.

At June 30, 2004 the accounts receivable balance included an amount of $282,420 owing from the Province of Alberta for projects completed.

Note 16 Budget

The Board of Governors approved the following budget relating to the College's operating revenue and expenses for the fiscal period ending June 30, 2004 on April 17, 2003:

Revenue	
Grants	$ 49,254,542
Tuition and related fees	42,382,856
Private Contracts	2,465,777
Sales, rentals and services	16,204,474
Amortization of deferred capital contributions	4,200,000
Investment earnings	2,245,574
Donations	1,126,750
Total Revenue	$ 117,879,973

Expense	
Salaries and benefits	$ 72,801,556
Supplies and services	24,422,492
Amortization of capital assets	7,566,548
Cost of goods sold	7,539,579
Utilities	3,754,347
Scholarships and bursaries	1,777,874
Total Expense	117,862,396
Excess of Revenue over Expense	$ 17,577

Note 17 Commitments

The College is committed to several operating lease contracts. The minimum operating lease payments required for the next five years are as follows:

	2005	$ 434,848
	2006	183,054
	2007	55,507
	2008	15,836
	2009	3,959
Total		$ 693,204

The Board of Governors of the College has approved a capital project to design and build a Student residence. The amount approved was $41,000,000. At June 30, 2004, approximately $30,850,000 of expenditure are yet to be incurred.

Note18 Approval of Financial Statements

These financial statements were approved by the Board of Governors on October 18, 2004.

KEYANO COLLEGE

FINANCIAL STATEMENTS

JUNE 30, 2004

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AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of Keyano College

I have audited the statement of financial position of Keyano College as at June 30, 2004 and the statements of revenue and expense, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
September 1, 2004

KEYANO COLLEGE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2004

ASSETS	2004	2003
Current:		
Cash (Note 3)	$ 2,073,629	$ 523,717
Short-term investments (Note 4)	83,323	-
Accounts receivable	1,390,566	1,159,702
Inventories (Note 5)	158,030	184,775
Prepaid expenses	179,229	126,280
	3,884,777	1,994,474
Long-term investments (Note 4)	8,459,067	7,620,721
Long-term accounts receivable (Note 6)	80,620	80,620
Tangible capital assets (Note 7)	60,870,744	63,217,232
	$ 73,295,208	$ 72,913,047

LIABILITIES AND NET ASSETS	2004	2003
Current:		
Accounts payable and accrued liabilities	$ 2,216,668	$ 1,834,740
Accrued vacation pay	1,583,441	1,706,636
Unearned revenue (Note 8)	655,010	471,840
Long-term debt due within one year (Note 11)	193,903	179,754
Deferred contributions (Note 9)	2,819,797	1,992,801
	7,468,819	6,185,771
Long-term:		
Long-term debt (Note 11)	5,281,363	5,450,747
Unamortized deferred capital contributions (Note 12)	32,137,266	33,750,368
	37,418,629	39,201,115
Net assets:		
Endowments (Note 13)	1,158,189	1,191,565
Investment in tangible capital assets (Note 14)	23,258,212	23,836,363
Unrestricted net assets	3,991,359	2,498,233
	28,407,760	27,526,161
	$ 73,295,208	$ 72,913,047

The accompanying notes are part of these financial statements.

KEYANO COLLEGE
STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED JUNE 30, 2004

	2004 Budget (Note 15)	2004 Actual	2003 Actual
Revenue:			
Grants (Note 24)	$ 20,430,346	$ 21,364,094	$ 20,432,767
Sales, rentals and services	4,704,069	5,032,614	4,925,163
Tuition	4,872,574	5,066,650	4,712,587
Education contracts	730,691	1,018,657	794,626
Investment income (Note 4)	121,500	1,154,036	224,575
Donations	284,000	595,148	697,689
Amortization of deferred capital contributions (Note 12)	1,925,937	1,878,770	1,930,990
	33,069,117	36,109,969	33,718,397
Expense:			
Salaries and benefits	22,222,387	22,233,985	21,553,765
Supplies and services	5,634,214	6,058,033	6,219,131
Scholarships and awards	-	421,215	326,881
Utilities	1,942,847	1,923,027	1,745,201
Cost of goods sold	501,595	645,225	557,302
Amortization	2,996,500	3,294,616	3,279,740
Interest on long-term debt	360,000	367,496	375,177
Loss on disposal of tangible capital assets	-	21,629	34,559
Transfer to Keyano Foundation (Note 24)	229,788	229,768	155,510
	33,887,331	35,194,994	34,247,266
Excess (deficiency) of revenue over expense	$ (818,214)	$ 914,975	$ (528,869)

The accompanying notes are part of these financial statements.

KEYANO COLLEGE
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004

	2004				2003
	Endowments (Note 13)	Investment in Tangible Capital Assets (Note 14)	Unrestricted Net Assets	Total	Total
Beginning of year	$ 1,191,565	$ 23,836,363	$ 2,498,233	$ 27,526,161	$ 27,982,263
Excess (deficiency) of revenue over expense			914,975	914,975	(528,869)
Endowments received (withdrawn)	(33,376)			(33,376)	72,767
Tangible capital assets acquired from internal funds		692,055	(692,055)	-	-
Amortization of internally funded tangible capital assets		(1,415,846)	1,415,846	-	-
Net book value of disposals		(35,575)	35,575	-	-
Principal repayment of long-term debt		178,035	(178,035)	-	-
Repayment of capital lease obligations		3,180	(3,180)	-	-
	$ 1,158,189	$ 23,258,212	$ 3,991,359	$ 28,407,760	$ 27,526,161

The accompanying notes are part of these financial statements.

KEYANO COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

	2004	2003
Cash provided from operating activities:		
Excess (deficiency) of revenue over expense	$ 914,975	$ (528,869)
Non-cash transactions:		
Amortization of tangible capital assets	3,294,616	3,279,740
Amortization of deferred capital contributions	(1,878,770)	(1,930,990)
Loss on disposal of tangible capital assets	21,629	34,559
	2,352,450	854,440
Changes in non-cash working capital (Note 19)	928,508	(1,579,362)
Cash generated from (used in) operating activities	3,280,958	(724,922)
Cash provided from (used in) investing activities:		
Purchases of tangible capital assets:		
Internally funded	(692,055)	(3,147,687)
Externally funded through contributions and debt	(291,648)	(6,617,131)
Proceeds on disposals of tangible capital assets	13,946	125,599
Purchases (disposal) of long term investments - net	(838,346)	6,851,956
Cash used in investing activities	(1,808,103)	(2,787,263)
Cash provided from financing activities:		
Capital contributions received	265,668	2,176,428
Endowment contributions (withdrawals) - net	(33,376)	72,767
Long-term debt repayment - net	(155,235)	122,411
Cash generated from financing activities	77,057	2,371,606
Increase (decrease) in cash	1,549,912	(1,140,579)
Cash at beginning of year	523,717	1,664,296
Cash at end of year	$ 2,073,629	$ 523,717

The accompanying notes are part of these financial statements.

KEYANO COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

Note 1 Authority and Purpose

Keyano College operates under the authority of the Post-secondary Learning Act, Statutes of Alberta 2003, Chapter P-19.5. The College is a comprehensive community college serving primarily the north-eastern region of Alberta. The College is exempt from payment of income tax under Section 149 of the Income Tax Act.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) General

The financial statements of the College have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results.

(b) Revenue Recognition

Operating grants are recognized as revenue in the period when receivable. Operating grants received for a future period are deferred until that future period and are reflected as deferred contributions.

Amounts received for tuition fees and sales of goods and services are recognized as revenue at the time the goods are delivered or the services are provided.

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by the contributors. Any externally restricted contributions containing stipulations that the amounts should be retained as net assets or that the contributions should not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property. Investment income earned on external endowments is recorded as a direct increase in net assets where the donor has stipulated that the economic value of endowments must be protected.

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested to acquire tangible capital assets. Amounts invested representing externally funded tangible capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded tangible capital asset is recorded.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(b) Revenue Recognition (continued)

Contributions of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

(c) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost and replacement value.

(d) Investments

Short-term investments are recorded at the lower of cost and market value.

Long-term investments are recorded at cost. Gains or losses on long-term investments are recognized at liquidation or when the impairment in the value of an investment is other than temporary.

(e) Tangible Capital Assets

Tangible capital asset acquisitions are recorded at cost except for donated assets which are recorded at fair market value at the time of receipt. Tangible capital assets are amortized on a straight-line basis over the following estimated average useful lives:

	Years
Land improvements	40
Buildings and renovations	40
Furnishings and equipment	10-25
Automotive and heavy equipment	5-25
Library materials	10
Audio-visual equipment	10
Computer hardware and software	5-10

(f) Employee Future Benefits

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's deficit is not recorded by the College.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(g) Expenses

Instruction encompasses all formal educational and instructional program elements. Institutional support includes all activities that provide institution-wide support to other programs. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio-visual services. Student services include all activities or services to the student body of the institution including scholarships and bursaries.

(h) Translation of foreign currencies

Monetary assets are translated into Canadian dollars at the rate of exchange at Statement of Financial Position date. Non-monetary items are translated at historical exchange rates. Revenue and expense items are translated at the rate of exchange in effect on the dates they occur.

Note 3 Cash

At June 30, 2004, the College had an available line of credit totaling $1,000,000, none of which was drawn, which bears interest at Royal bank prime plus 0.25%.

Note 4 Investments

	2004				2003
	Short-term Investments	Long-term Investments	Total Cost	Market Value	Total Cost
Money market investments	$ 83,323	-	83,323	83,323	$ -
Bonds	-	4,575,249	4,575,249	4,424,748	4,795,020
Equities	-	3,883,818	3,883,818	3,951,540	2,825,701
	$ 83,323	8,459,067	8,542,390	8,459,611	$ 7,620,721

As at June 30, 2004, $1,158,189 (2003 - $1,191,565) is restricted for endowment purposes.

Note 4 Investments (continued)

The Board of Governors has approved an investment policy covering both short and long-term investments of College.

The investment policy is as follows:

a) Quality constraint of "R1 or A1 " or better for money market securities.
b) All corporate and provincial bonds will be rated "A" or higher, with the exception of the portfolio manager having discretion to purchase "BBB" rated securities up to a maximum of 15% of the market value of the fixed income component.
c) No more than 10% of cash and equivalents will be invested in any one issuer, other than investments guaranteed by the Government of Canada or any province.
d) No more than 5% of the portfolio will be invested in any one corporate bond issue.
e) The fixed income category of the portfolio shall be a minimum of 40% and a maximum of 60% of the portfolio.
f) The equity category of the portfolio shall be a minimum of 40% and a maximum of 50% of the portfolio.
g) No more than a maximum of 5% of the equity component, at market, will be invested in any one equity issue.

The effective yield for the portfolio on the bond investment is 4.85 % (2003 - 4.34%). The bond investments mature as follows:

	1 - 5 years	6 - 10 years	Over 10 years	Total
Bonds	$ 1,681,404	$ 2,176,976	$ 566,368	$ 4,424,748

Note 4 Investments (continued)

Investment Income	2004	2003
Interest earned on investments	$ 1,317,892	$ 150,826
Interest earned on operating funds	42,405	76,284
Total interest earned	1,360,297	227,110
Transferred to deferred contributions (Note 9)	(206,261)	(2,535)
	$ 1,154,036	$ 224,575

Note 5 Inventories

	2004	2003
Bookstore	$ 121,590	$ 148,078
Maintenance supplies	36,440	36,697
	$ 158,030	$ 184,775

Note 6 Long-term Accounts Receivable

The College entered into an agreement to allow corporations to rent certain student residences for a period of five years. The long-term account receivable is GST that is recoverable from the Federal Government once these residences revert to College student use.

Note 7 Tangible Capital Assets

Tangible capital assets are summarized as follows:

	2004			2003
	Cost and Appraised Value	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 11,679,586	$ -	$ 11,679,586	$ 11,679,586
Land improvements	463,183	34,739	428,444	440,024
Buildings and renovations	72,575,216	32,486,746	40,088,470	41,767,791
Furnishings and equipment	8,583,650	4,290,407	4,293,243	4,496,434
Automotive and heavy equipment	6,388,259	3,883,726	2,504,533	2,713,444
Library materials	1,966,643	1,679,554	287,089	269,328
Audio-visual equipment	843,679	449,358	394,321	395,516
Computer hardware and software	3,843,373	2,648,315	1,195,058	1,455,109
	$ 106,343,589	$ 45,472,845	$ 60,870,744	$ 63,217,232

The Province of Alberta has been granted an option to purchase the whole or any part of the land, buildings and improvements transferred to the College in 1984, at value of $47,534,300, for the nominal amount of $1 per purchase.

Note 8 Unearned Revenue

	2004	2003
Tuition fees	$ 274,082	$ 316,827
Contract programs	380,928	155,013
	$ 655,010	$ 471,840

Note 9 Deferred Contributions

Deferred contributions represent unspent amounts externally restricted for non-capital purposes.

	2004	2003
Contributions:		
Grants	$ 2,758,648	$ 2,134,470
Donations	231,141	246,163
Investment income (Note 4)	206,261	2,535
	3,196,050	2,383,168
Transferred to revenue:		
Grants	(2,054,186)	(2,538,646)
Donations and investment income	(247,676)	(199,032)
	(2,301,862)	(2,737,678)
Transferred to deferred contributions for capital purposes (Note 10)	(100,568)	(1,648,877)
Transferred from (to) endowments	33,376	(72,767)
	(67,192)	(1,721,644)
Increase (decrease) during the year	826,996	(2,076,154)
Balance at beginning of year	1,992,801	4,068,955
Balance at end of year	$ 2,819,797	$ 1,992,801
The balance consists of funds restricted for:		
Scholarships and bursaries	$ 436,541	$ 213,439
New program start-up funds	546,654	332,180
Deferred contributions for maintenance	1,836,602	1,447,182
	$ 2,819,797	$ 1,992,801

Note 10 Deferred Contributions for Capital Purposes

	2004	2003
Contributions:		
Grants (Note 9)	$ 100,568	$ 1,648,877
Donations	165,100	527,551
	265,668	2,176,428
Transferred to unamortized deferred capital contributions (Note 12)	(265,668)	(6,287,899)
Increase (decrease) during the year	-	(4,111,471)
Balance, beginning of year	-	4,111,471
Balance, end of year	$ -	$ -

Note 11 Long-term Debt

	2004	2003
Alberta Capital Finance Authority Debenture, interest at 6.5% per annum. Repayment of 25 consecutive annual installments of $450,898, principal and interest combined, secured by tangible capital assets with a net book value of $5,640,764. Maturity June 2026	$ 5,201,198	$ 5,307,133
Obligations under Capital Lease Interest at varying rates of 1.5% to 8.9%. Payments of $99,274 annually principal and interest combined. Maturity ranging from October 2005 to July 2008	274,068	323,368
	5,475,266	5,630,501
Current portion	193,903	179,754
	$ 5,281,363	$ 5,450,747

Repayment of principal in each of the next five fiscal years and thereafter will be as follows:

2005	$ 193,903
2006	203,481
2007	210,549
2008	161,756
2009	146,693
2010 to maturity	4,558,884
	$ 5,475,266

Note 11 Long-term Debt (continued)

All acquired intangibles, accounts, monies, accounts receivable, instruments, claims or rights, choices in action and insurance proceeds derived directly or indirectly from the operations of the student residence have been pledged as security on the Alberta Capital Finance Authority debenture.

Long-term debt is subject to certain covenants with respect to loan payments, property tax payments, and certain contract restrictions. As at June 30, 2004, the College is in compliance with all such covenants. It is management's opinion that the College is likely to remain in compliance with all long-term debt covenants throughout the next 12 months subsequent to June 30, 2004

Note 12 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the external funding of tangible capital assets which will be recognized as revenue in future periods.

	2004	2003
Balance at beginning of year	$ 33,750,368	$ 29,393,459
Add amount transferred from deferred capital contributions (Note 10)	265,668	6,287,899
Less amount amortized to revenue	(1,878,770)	(1,930,990)
Balance at end of year	$ 32,137,266	$ 33,750,368

Note 13 Endowments

Endowments are comprised of externally restricted amounts which are required to be maintained intact.

Note 14 Investment in Tangible Capital Assets

		2004	2003
Tangible capital assets		$ 60,870,744	$ 63,217,232
Less	Debt	(5,475,266)	(5,630,501)
	Unamortized deferred capital contributions	(32,137,266)	(33,750,368)
Balance at end of year		$ 23,258,212	$ 23,836,363

Note 15 Budget

The budget was approved by the Board of Governors on April 23, 2003.

Note 16 Funds Held on Behalf of Others

As at June 30, 2004, the College had $27,984 (2003 - $50,669) in funds held in trust for other parties. These amounts are not included in these financial statements.

Note 17 Ancillary Operations

The College's ancillary operations revenue included in sales, rentals and services and ancillary operations direct expense are summarized as follows:

	2004	2003
Revenue:		
Student residence	$ 1,786,557	$ 1,758,063
Food services facility rental contract	32,466	34,737
Bookstore	694,777	635,670
Theatre	571,701	538,180
Parking	208,872	145,112
	$ 3,294,373	$ 3,111,762
Expense:		
Student residence	$ 1,212,116	$ 1,186,134
Food services facility rental contract	3,437	2,433
Bookstore	684,773	595,516
Theatre	928,054	902,004
Parking	102,905	138,594
	$ 2,931,285	$ 2,824,681

Note 18 Salaries and Benefits

	2004				2003
	Salary (Note 1)	Other cash benefits (Note 2)	Other non-cash benefits (Note 3)	Total	Total
Board Chairman	$ -	$ 4,510	$ 165	$ 4,675	$ 4,685
Board members - 10	-	22,909	555	$ 23,464	25,767
President	118,729	-	21,151	139,880	193,336
Vice President - Instruction	102,160	-	21,074	123,234	126,945
Vice President - Finance and Administration (Note 4)	99,690	-	6,517	106,207	116,000
Executive Director, Student Services	96,035	-	12,585	108,620	101,236
Director, Finance	88,947	-	13,594	102,541	88,920
Director, Campus Development	88,947	-	11,118	100,065	97,584

Notes:

1. Salary includes pensionable regular base pay.
2. Other cash benefits include honoraria.
3. Employer share of all employee benefits and contributions or payments made on behalf of employees including pension, automobile allowances, health care, dental, vision, group life insurance, accidental death and dismemberment insurance.
4. Two different individuals occupied the position for twelve months.

Note 19 Changes in Non-Cash Working Capital

	2004	2003
Short-term investments	$ (83,323)	$ 1,224,475
Accounts receivable	(230,864)	271,413
Inventories	26,745	2,779
Prepaid expenses	(52,949)	(16,744)
Accounts payable and accrued liabilities	381,928	(1,120,015)
Accrued vacation pay	(123,195)	166,983
Unearned revenue	183,170	(32,099)
Deferred contributions	826,996	(2,076,154)
	$ 928,508	$ (1,579,362)

Note 20 Commitments and Contractual Obligations

Minimum annual operating lease commitments required under the terms of various office space leases are as follows:

2005	$	125,158
2006		90,822
Total	$	215,980

Note 21 Pension Costs

The pension expense recorded in these financial statements is equivalent to the College's annual contributions payable of $1,065,756 for the year ended June 30, 2004 (2003 - $900,425). At December 31, 2003, the Local Authorities Pension Plan reported a deficit of $1,410,987,000 (2002 – deficit of $444,980,000). Effective January 1, 2003, the employers' contribution rates were increased by 0.5%. Rates were increased further on January 1, 2004 by 1.077%.

Note 22 Financial instruments

The College as part of its operations carries a number of financial instruments. It is management's opinion that the College is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed. The carrying amounts of accounts receivable, accounts payable and accrued liabilities, vacation pay and current portion of long-term debt approximate their fair value due to the short-term maturities and market interest rates of these items.

The fair values of the College's investments are based on cash surrender value, and described in Note 4.

The carrying value of the College's long-term debt approximates its fair value, as there have been no significant changes in lending rates or other conditions.

Note 23 Non Cash Transactions

During the year ended, tangible capital assets and operating expenditures were acquired at an aggregate value of $46,600 and $71,009 respectively by means of gifts in kind for goods and services provided to the College. The College received other volunteer services, the value of which has not been included in the financial statements as it was not reasonably determinable.

Note 24 Related Party Transactions

(a) Related Party Transactions – Keyano College Foundation ("the Foundation")

The Keyano College Foundation is a registered charitable organization, and receives donations from various sources for the advancement of Keyano College.

The Foundation financial statements (which are prepared using the Restricted Fund method of revenue recognition) are not consolidated in the College's financial statements. The financial summaries of the unconsolidated entity as at June 30, 2004 and 2003 are as follows:

Financial Position	2004	2003
Total assets	$ 3,183,234	$ 786,233
Total liabilities	$ 105,339	$ 36,451
Net assets	$ 3,077,895	$ 749,782

All of the Foundation's net assets must be provided to the College or used for the College's benefit. As at June 30, 2004, $2,854,169 (2003 - $693,884) of the Foundation's net assets are restricted for College programs and the Wood Buffalo Sport and Wellness Corporation.

Results of Operations	2004	2003
Revenue	$ 4,039,951	$ 1,359,540
Expenses	1,711,838	1,730,743
Excess (deficiency) of revenue over expenses	$ 2,328,113	$ (371,203)

Total expenses include contributions of $1,013,725 (2003 – $1,156,914) to the College.

Cash Flows	2004	2003
Cash from operations and increase in cash	$ 189,850	$ 5,201

Note 24 Related Party Transactions (continued)

(a) Related Party Transactions – Keyano College Foundation ("the Foundation") (continued)

Total revenue includes contributions from the College of $229,768 (2003 - $155,510) toward salaries and other operating costs of the Foundation. In addition, the College provided certain administrative services and accommodations at no cost to the Foundation.

(b) The College is a provincial corporation as all the members of the Board of Governors are appointed either by the College Act or by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning.

(c) Transactions between the College and Province and other related parties are disclosed in the Statement of Revenue and Expense and/or are recorded in the following balances as at June 30, 2004:

	Revenue	Deferred contributions	Unamortized Deferred Capital Contributions
Operating grant	$ 19,821,816	$ 51,448	$ -
Infrastructure grant	268,699	1,836,602	31,881
Access grant	855,285	185,141	-
Apprenticeship grant	89,581	142,833	29,414
Other grants	328,713	167,232	39,273
Total	$ 21,364,094	$ 2,383,256	$ 100,568

During the year, the College had business transactions with entities controlled by members of the Board. These transactions were at market prices on normal terms of purchase and sale.

Note 25 Wood Buffalo Sport and Wellness Corporation

Keyano College in partnership with the Regional Municipality of Wood Buffalo has established Wood Buffalo Sport and Wellness Corporation, a Part 9 not-for-profit corporation with the purpose of constructing and operating a recreational facilities centre in the Fort McMurray region. The College and the Municipality are the two members of the corporation. The Board of the corporation will be comprised of seven directors of which the College will appoint two directors. As at June 30, 2004 the College is holding $610,589 to be paid to the Corporation for constructing the facility.

The College and Municipality are currently negotiating operating agreements for the facility.

Note 26 Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.

Note 27 Approval of Financial Statements

The Board of Governors approved these financial statements.

Lakeland College

Consolidated Financial Statements

June 30, 2004

Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of Lakeland College

I have audited the consolidated statement of financial position of Lakeland College as at June 30, 2004 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
November 15, 2004

LAKELAND COLLEGE

STATEMENT OF FINANCIAL POSITION - CONSOLIDATED

AS AT JUNE 30, 2004

	2004	2003 As Restated in Note 24
ASSETS		
Cash and short-term investments (Note 5)	$ 859,032	$ 2,245,064
Accounts receivable & Prepaids	1,892,295	2,136,393
Inventories (Note 3)	999,445	937,730
Current portion of loans receivable (Note 4)	6,516	8,676
	3,757,288	5,327,863
Loans receivable (Note 4)	4,135	4,936
Investments (Note 5)	5,576,232	5,708,927
Patronage dividends receivable	7,222	8,192
Capital assets (Note 6)	61,299,653	62,472,298
	$ 70,644,530	$ 73,522,216
LIABILITIES AND NET ASSETS		
Accrued vacation pay	$ 1,772,640	$ 1,673,891
Accounts payable and accrued liabilities	1,297,928	2,170,220
Unearned revenue (Note 7)	1,569,647	1,466,544
Deferred contributions (Note 8)	2,190,020	1,401,338
Current portion of long-term debt (Note 11)	847,973	495,593
	7,678,208	7,207,586
Deferred capital contributions (Note 9)	436,525	451,162
Unamortized deferred capital contributions (Note 10) (Note 24)	44,789,691	46,693,539
Long-term debt (Note 11)	2,856,526	3,664,641
	55,760,950	58,016,928
Net assets:		
Unrestricted	-	(189,398)
Internally restricted (Note 12)	523,814	1,607,492
Invested in capital assets	12,820,059	12,746,305
	13,343,873	14,164,399
Endowments (Note 13)	1,539,707	1,340,889
	14,883,580	15,505,288
	$ 70,644,530	$ 73,522,216

The accompanying notes are part of these consolidated financial statements.

LAKELAND COLLEGE

STATEMENT OF OPERATIONS - CONSOLIDATED

FOR THE YEAR ENDED JUNE 30, 2004

	2004		2003
	Budget (Note 19)	Actual	Actual As Restated in Note 24
Revenue:			
Grants (Note 14)	$ 21,342,249	$ 22,017,593	$ 21,104,226
Tuition and related fees	9,066,394	10,408,806	7,807,977
Sales, rentals and services (Note 15)	3,490,070	4,450,307	4,118,374
Amortization of deferred capital contributions (Note 10)	2,921,400	2,495,834	2,579,355
Educational contracts	2,400,530	2,097,952	2,180,080
Investment Income (Note 16)	417,563	1,049,432	785,768
Donations	463,710	211,255	199,158
Other	1,680,278	1,228,160	1,356,956
Gain on Sale of Assets		17,637	53,686
	41,782,194	43,976,976	40,185,580
Expense (Note 17):			
Salaries and benefits (Note 18)	24,667,775	25,716,679	23,346,677
Supplies and services	10,146,593	11,905,100	11,251,386
Amortization of capital assets	4,487,160	4,689,958	4,723,845
Utilities	1,931,165	1,995,624	1,952,168
Investment interest	207,216	308,279	312,794
Scholarships and bursaries	214,000	181,862	179,214
	41,653,909	44,797,502	41,766,084
Excess of (expense over revenue) revenue over expense	$ 128,285	$ (820,526)	$ (1,580,504)

The accompanying notes are part of these consolidated financial statements.

LAKELAND COLLEGE

STATEMENT OF CHANGES IN NET ASSETS - CONSOLIDATED

FOR THE YEAR ENDED JUNE 30, 2004

	2004					Restated 2003 As Restated in Note 24
	Unrestricted	Internally Restricted (Note 12)	Invested in Capital Assets	Endowments	Total	Total
Excess of expense over revenue	$ (820,526)				$ (820,526)	$ (1,580,504)
Endowment contributions				198,818	198,818	26,148
Transfers:						
Amortization of internally funded capital assets	2,166,312		(2,166,312)		-	
Acquisition of internally funded capital assets	(1,653,545)		1,658,545		-	
Repayment of Loans	(456,717)		456,717		-	
Transfer to Invested in Capital assets from Internally Restricted		(153,630)	153,630		-	
From internally restricted	930,048	(930,048)			-	
Net book value of capital asset disposals	28,826		(28,826)		-	
Decrease (increase) in net assets	189,398	(1,083,678)	73,754	198,818	(621,708)	(1,554,356)
Net assets beginning of year	(189,398)	1,607,492	12,746,305	1,340,889	15,505,288	17,059,644
Net assets end of year	$ -	$ 523,814	$ 12,820,059	$ 1,539,707	$ 14,883,580	$ 15,505,288

The accompanying notes are part of these consolidated financial statements.

LAKELAND COLLEGE

STATEMENT OF CASH FLOWS - CONSOLIDATED

FOR THE YEAR ENDED JUNE 30, 2004

	2004	2003 As Restated in Note 24
OPERATING ACTIVITIES		
Excess (deficiency) of expense over revenue	$ (820,526)	$ (1,580,504)
Non-cash transactions		
Amortization of capital assets	4,689,958	4,723,845
Amortization of deferred capital contributions (Note 10)	(2,495,834)	(2,579,355)
Gain on disposal of capital assets	(17,637)	(53,686)
Decrease in patronage dividends receivable	970	
	1,356,931	510,300
Net change in non-cash working capital	300,625	(1,031,474)
Cash provided by (used in) operating activities	1,657,556	(521,174)
INVESTING ACTIVITIES		
Acquisition of capital assets		
Internally and debt funded	(2,964,970)	(1,127,388)
Externally funded	(591,986)	(122,678)
Loans collected from employees	16,324	18,754
Loans advanced to employees	(13,363)	(10,111)
Net decrease in investments	132,695	1,927,365
Proceeds from disposal of capital assets	57,280	107,405
Cash provided by (used in) investing activities	(3,364,020)	793,347
FINANCING ACTIVITIES		
Endowment contributions	198,818	26,148
Proceeds from computer loan program	982	1,393
Repayment of long-term debt	(456,717)	(443,558)
Capital contributions received (Note 9)	577,349	197,867
Cash provided by (used in) financing activities	320,432	(218,150)
INCREASE (DECREASE) IN CASH AND INVESTMENTS	(1,386,032)	54,023
CASH AND INVESTMENTS AT BEGINNING OF THE YEAR	2,245,064	2,191,041
CASH AND INVESTMENTS AT END OF THE YEAR	$ 859,032	$ 2,245,064

The accompanying notes are part of these consolidated financial statements.

LAKELAND COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2004

Note 1 **Authority and Purpose**

Lakeland College (the "College") operates under the authority of the Post Secondary Leaning Act, Chapter P-19.5., Statutes of Alberta, 2003. The College, as an inter-provincial institution, provides quality educational services responsive to the needs of students in relation to the workplace, community and society. The College is exempt from the payment of income taxes under section 149 of the Income Tax Act and is a registered charity.

Note 2 **Summary of Significant Accounting Policies and Reporting Practices**

(a) Basis of Presentation

The Consolidated Financial Statements includes the results of the fire etc. which was incorporated in the Province of Alberta under the Part IX of the Companies Act on July 17, 2002 as a not-for-profit organization. The school is exempt from taxes under the Income Tax Act. Fire etc. continues the operations of its predecessor corporation - the Alberta Fire Training School Inc.

(b) Revenue Recognition

Operating grants are recognized in the period when receivable. Operating grants received for a future period are deferred until that future period and are reported as deferred contributions.

Amounts received for tuition fees and the sale of goods and services are recognized as revenue at the time the goods are delivered or the services are provided.

Capital grants and capital donations are recorded as deferred capital contributions until the amounts are invested in capital assets. Amounts invested representing funded capital assets are transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense for the funded capital assets is recorded.

Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by the contributors. Any externally restricted contributions containing stipulations that the amounts should be permanently maintained, are recorded as a direct increase to net assets.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

c) Capital Assets

Purchased capital assets are recorded at cost. Donated assets are recorded at their fair value when donated. Capital assets are amortized on a straight-line basis over the following estimated average useful lives:

Buildings and site improvements	40, 10 and 5 years
Facility license - buildings	3 - 37 years
Leasehold improvements	30 - 32 years
Furniture, equipment and library	10 years
Vehicles, computers and telecommunication equipment	5 years

(d) Inventories

Livestock inventory is recorded at net realizable value. All other inventories are valued at the lower of cost and net realizable value.

(e) Employee Future Benefits

The College participates in the Province of Alberta's Local Authority and the Management Employees Pension Plans. These pension plans are multi-employer defined benefit plans that provide pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the Local Authority and the Management Employees Pension Plans. The College's portion of the pension plans' deficit or surplus is not recorded by the College.

(f) Financial Instruments

The carrying value of cash, receivables and payables, and accruals approximate fair value due to the relatively short periods to maturity of the instruments.

The carrying value of the long-term debt approximates its market value.

The loans in the amount of $23,567 bear interest, which fluctuates with the Bank of Canada prime rate, thus exposing the organization to interest rate fluctuations.

Note 3 Inventories

Inventories consist of:

	2004	2003
Livestock	$ 279,172	$ 351,105
Bookstore	393,217	370,342
Firefighting Agents	75,398	69,973
Fuels	41,772	42,475
Course Guides	45,239	36,453
Farm	87,640	50,247
Clothes & Gifts	61,193	4,848
Quip Shop	4,429	2,927
Consumables	11,385	9,360
	$ 999,445	$ 937,730

Note 4 Loans Receivable

	2004	2003
Employee loans receivable	$ 10,651	$ 13,612
Less: current portion	(6,516)	(8,676)
	$ 4,135	$ 4,936

The loans are receivable from employees in bi-weekly installments of $675 in 2004 ($675 in 2003) including interest at a rate of 8.5% per annum. The advances were made under the provisions of an employee computer purchase program with installments made through payroll deductions.

Aggregate annual maturities of long-term loans receivable are as follows:

2004-05	$ 6,516
2005-06	4,135
	$ 10,651

Note 5 Cash and Investments

	2004		2003	
	Cost	Market	Cost	Market
Bank overdraft	$ (1,881,894)	$ (1,881,894)	$ (1,353,806)	$ (1,353,806)
Money Market Investments	934,049	934,049	918,013	918,013
Bonds	4,934,025	5,002,076	5,132,310	5,447,078
Equities	2,449,084	3,117,707	3,158,567	3,388,665
Cash Held By Investment Manager			98,907	98,907
	6,435,264	$ 7,171,938	7,953,991	$ 8,498,857
Less: Long-term Amounts	(5,576,232)		(5,708,927)	
	$ 859,032		$ 2,245,064	

The College's investment strategy is to meet expenditure requirements within one year, investing such funds in liquid investments. Short term investment guidelines are as follows:

a) Assure necessary cash flow.
b) Maximize rate of return.
c) Minimize risk of permanent capital impairment.
d) Preserve capital in nominal and real terms over the long term.
e) Generate a return which is competitive.

The balance of funds are invested for a longer term with a mix of maturities between one and ten years. Long term investments guidelines are as follows:

a) No more than 10% of total portfolio can be invested in any one Money market issue except those guaranteed by Government of Canada or the Province of Alberta.
b) No more than 10% of total portfolio can be invested in any one government bond issue except those issued by Government of Canada or the Province of Alberta.
c) No more than 5% of total portfolio in any one corporate bond issue.
d) No more than 5% of equity component to be invested in any one equity issue.
e) Quality constraint on Money market securities of at least a rating of R1 or A1 by the Canadian Bond Rating Service or Dominion Bond Rating Service.
f) Quality constraint on all Corporate and Provincial Bonds of at least a rating of A low by a recognized bond rating service.

Note 5 **Cash and Investments (continued)**

The rate of return on the investments for this fiscal year is 13.91% (in 2003, 5.26%).

Money Market / Monthly Income Fund Investments have an average effective yield of 10.1% (in 2003, 6.09%) with a term to maturity of less than one year.

Pooled Bond Funds have an average effective yield of 4.9% (in 2003, 7.19%) and weighted average term to maturity of more than one year.

Certain College investments amounting to $934,049 are pledged as collateral against indebtedness.

Note 6 **Capital Assets**

Capital assets consist of:

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 1,515,348	$ -	$ 1,515,348	$ 1,515,348
Buildings	73,014,670	(34,646,748)	38,367,922	38,692,804
Site Improvements	17,117,273	(8,626,502)	8,490,771	8,911,581
Furniture & Equipment	9,581,027	(6,046,320)	3,534,707	3,017,821
Computers & Telecommunications Equipment	7,844,388	(4,931,292)	2,913,096	3,636,603
Facility Licence				
Buildings	5,254,016	(1,118,151)	4,135,865	4,298,801
Land	97,091		97,091	97,091
Vehicles	1,575,447	(1,162,833)	412,614	379,251
Leasehold Improvements	1,079,069	(123,379)	955,690	895,993
Milk Quotas	215,546	-	215,546	215,546
Library	3,302,155	(2,641,152)	661,003	811,459
	$ 120,596,030	$ (59,296,377)	$ 61,299,653	$ 62,472,298

The Province of Alberta has been granted an option to purchase for $1 the whole or any part of the land, buildings and site improvements that it transferred to the College in 1982.

Note 7 **Unearned Revenue**

Unearned revenue consists of:

	2004	2003 As Restated in Note 24
Tuition and Residence fees	$ 565,425	$ 522,051
Contract Advances	924,742	901,327
Extension and Community education course fees	22,651	34,222
Projects & Programs	56,829	8,944
	$ 1,569,647	$ 1,466,544

Note 8

Deferred Contributions

Changes in deferred contributions are as follows:

	2004	2003 As Restated in Note 24
Restricted donations & contributions received during the year:		
Conditional grants	$ 2,095,753	$ 891,969
Donations in Kind	128,720	-
Transfer (to) from deferred capital contributions (Note 9)	(169,054)	2,725
Scholarships	109,878	121,812
Interest on endowments (Note 16)	63,840	32,036
	2,229,137	1,048,542
Transferred to revenue:		
Conditional grants (Note 14)	(1,262,392)	(1,647,185)
Scholarships and bursaries	(178,063)	(179,214)
	(1,440,455)	(1,826,399)
Increase (decrease) during the year	788,682	(777,857)
Balance at beginning of the year	1,401,338	2,179,195
Balance at end of the year	$ 2,190,020	$ 1,401,338
The balance consists of funds restricted for:		
Conditional programs	$ 1,942,226	1,149,199
Scholarships and bursaries	192,644	213,633
College development	55,150	38,506
	$ 2,190,020	$ 1,401,338

Note 9

Deferred Capital Contributions

Changes in deferred capital contributions are as follows:

	2004	2003
Contributions received during the year	$ 408,295	$ 200,592
Transferred from (to) deferred contributions (Note 8)	169,054	(2,725)
Total contributions received in year	577,349	197,867
Transferred to unamortized deferred contributions (Note 10)	(591,986)	(122,678)
Balance at beginning of the year	451,162	375,973
Balance at end of the year	$ 436,525	$ 451,162

Note 10

Unamortized Deferred Capital Contributions

	2004	2003 As Restated in Note 24
Transferred to Revenue	$ (2,495,834)	$ (2,579,355)
Transferred from deferred capital contributions (Note 9)	591,986	122,678
	(1,903,848)	(2,456,677)
Balance at the beginning of the year	46,693,539	49,150,216
Balance at the end of the year	$ 44,789,691	$ 46,693,539

Note 11 Long-Term Debt

	2004	2003
(a) Alberta Capital Financing Authority	$ 2,760,000	$ 2,880,000
(b) Bank Loans	480,465	592,272
(c) Finance Contracts	16,536	38,188
(d) Bank Loan	8,972	19,736
(e) PeopleSoft	438,526	630,038
	3,704,499	4,160,234
Less: current portion	(847,973)	(495,593)
	$ 2,856,526	$ 3,664,641

(a) The ACFA loan is a 25 year debenture secured by residences with value of $2,150,920 and investments of $1,000,000. The debenture incurs interest at 6.5% per annum.

(b) The bank loans include the following:

One bank loan is due on demand and payable to the Canadian Imperial Bank of Commerce in monthly installments of $9,171 including interest at a rate of 2.95%. The loan is secured with a general security agreement and a $934,049 term deposit owned by Lakeland College. The loan matures in 2010.

One bank loan is payable to the Bank of Nova Scotia in monthly installments of $586 including interest at a rate of 9.4%. The loan is secured by a lien on a service vehicle with a net book value of $8,131 and matures in 2005.

One bank loan, for employee computer purchases, is due on demand, is payable to the Canadian Imperial Bank of Commerce, and will be repaid in installments equal to bi-weekly payroll deductions of $675 including interest at a rate equal to the bank's prime rate plus 1%. The loan matures in 2004.

(c) The finance contracts are payable to the General Motors Acceptance Corporation in combined monthly installments of $1,849 including interest at a rate of 1.9%. The contracts are secured by liens on service vehicles with a net book value of $29,284 and mature in 2005.

(d) The bank loan is due on demand and is payable to the Canadian Imperial Bank of Commerce in monthly installments of $897 plus interest at a rate equal to the bank's prime rate plus 0.75%. The contract is secured by a general security agreement and a lien on a service vehicle with a net book value of $15,091. The loan matures in 2005.

(e) The PeopleSoft loan is repayable at $18,500 per month for 5 years.

Aggregate annual payments of long-term debt are as follows:

2004-05	847,973
2005-06	342,000
2006-07	342,000
2007-08	342,000
2008-09 and subsequent	1,830,526
	$ 3,704,499

Note 12 **Net Assets Internally Restricted by the Board**

Net assets internally restricted by the Board represent amounts set aside by the College's Board of Governors to be used for the following designated purposes. These amounts are not available for other purposes without the approval of the Board.

	2004	2003
Major maintenance and equipment	$ 19,082	$ -
Delivery initiatives	173,087	595,016
Long term delivery initiatives	331,645	1,012,476
	$ 523,814	$ 1,607,492

Note 13 **Endowments**

External endowments consist of funds restricted for:

	2004	2003
Scholarships and bursaries	$ 458,595	$ 420,089
College development	1,081,112	920,800
	$ 1,539,707	$ 1,340,889

Funds are required to be maintained in perpetuity.

Note 14 **Grants**

Grant revenue consists of:

	2004		2003
	Budget	Actual	Actual
Alberta Learning			
General Operating	$ 17,059,366	$ 17,737,850	$ 16,538,198
Conditional (Note 8)	950,038	1,262,392	1,647,185
fire etc.	2,181,250	2,065,500	2,025,000
Other Government Grants	111,420	182,376	108,926
Province of Saskatchewan			
General Operating	1,040,175	769,475	784,917
	$ 21,342,249	$ 22,017,593	$ 21,104,226

Note 15 **Sales, Rentals and Services**

Revenue and direct expense for sales, rentals and services consists of:

	2004		2003
	Budget	Actual	Actual
Revenue:			
Residences	$ 1,981,961	$ 2,211,617	$ 1,993,525
Bookstores	961,000	915,625	895,279
Cafeterias	118,580	658,498	694,793
Conference Services	100,825	179,267	189,734
Printing	6,000	7,495	2,576
Swimming Pools	211,852	217,303	195,358
Other	109,852	260,502	147,109
	3,490,070	4,450,307	4,118,374
Direct Expenses:			
Residences	1,658,642	1,792,034	1,775,287
Bookstores	831,121	926,031	899,732
Cafeterias	86,676	678,789	673,656
Conference Services	176,619	181,732	171,611
Printing	-	20,438	1,619
Swimming Pools	344,501	316,146	311,392
Other	103,251	215,666	73,967
	3,200,810	4,130,836	3,907,264
Excess of Revenue over Direct Expenses	$ 289,260	$ 319,471	$ 211,110

Note 16 Investment Revenue

		2004		2003
Investment Income Earned	$	1,113,272	$	369,242
Gain on Sale of Investments		-		448,562
Less: amount transferred to deferred				-
contributions (Note 8)		(63,840)	$	(32,036)
Investment income	$	1,049,432	$	785,768

Note 17 Operating Expense

Operating expense is summarized as follows:

		2004 Budget		2004 Actual		Restated 2003 Actual
Instruction	$	16,834,263	$	17,125,546	$	15,599,168
Amortization of capital assets		4,487,160		4,689,957		4,723,845
Cost of sales, rental & services (Note 15)		3,500,810		4,130,836		3,907,264
Facility operations and maintenance		3,469,858		4,252,038		3,786,381
Academic support		4,621,199		4,919,050		4,825,190
Institutional support		4,427,799		5,304,055		4,853,431
Student services		2,730,330		2,852,953		2,640,093
Computing services		1,582,490		1,523,067		1,430,712
	$	41,653,909	$	44,797,502	$	41,766,084

Instruction encompasses all formal education and instructional program elements. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio-visual services. Institutional support includes all activities that provide institution-wide support to other programs such as the President's office, human resources and financial services. Student Services includes all activities and services for the student body.

Note 18 Salaries and Benefits

The following information is prepared in accordance with Treasury Board Directive No. 03/04 and only includes salary and benefit information for the Board and Executive Management:

	2004 Number of Individuals		Base Salary (1)		Other Cash Benefits (2)		Other Non-Cash Benefits (3)		Total	2003 Number of Individuals		Total
Chairman of Board												
Lakeland College	1			$	24,467	$	1,038	$	25,505	1	$	5,177
fire etc.	1				8,190		486		8,676	1		10,962
Other Board												
Lakeland College	10				47,930		787		48,717	10	$	28,980
fire etc.	7				29,344		963		30,307	7		31,600
			-		109,931		3,274		113,205			76,719
President	1		150,000		14,700		14,337		179,037	1		159,642
VP Academics	1		118,000				15,373		133,373	1		125,040
CEO Fire Etc.	1		115,983		36,453		21,106		173,542	1		124,771
VP Finance and Operations	1.3		126,500		3,655		17,692		147,847	1		114,737
VP Finance and Corporate Services	1		96,226		6,154		12,357		114,737	1		31,433
Executive Director Strathcona	1		99,353				14,987		114,340	1		105,980
			706,062		60,962		95,852		862,876			661,603
												-
Salaries & Ben Exp in year		$	706,062	$	170,893	$	99,126	$	976,081			738,322

Note 18 Salaries and Benefits (continued)

(1) Base salary includes pensionable base pay

(2) Other cash benefits include bonuses, overtime, lump sum payments and honoraria.

(3) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, out of country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short term disability plan, professional memberships and tuition.
Other non-cash benefits figure also includes the Employer's share of the cost of additional benefits including sabbaticals or other special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances, and club memberships.

Note 19 Budget

The operating budget was approved by the Board of Governors on May 14, 2003 and the capital budget was approved on May 14, 2003. The operating budget does not include revenues and expenses for ad hoc programs negotiated subsequent to budget approval.

The approved capital budget provided $3,050,000 (actual $3,556,956) for acquisitions of capital assets.

Note 20 Lease Commitments

The College has the following operating lease commitments requiring future minimum annual rental payments for years ending June 30 as follows:

2004-05	$	378,580
2005-06		343,667
2006-07		304,070
2007-08		258,227
2008-09		47,516
	$	1,332,060

Note 21 Related Party Transactions

Province of Alberta

The College is a Provincial Corporation as all the members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Alberta Learning. Transactions between the College and the Province are disclosed in Note 14 to these financial statements. In addition, the conditional grants deferred contribution balance includes $1,873,512 (2003 - $1,067,609) of conditional grants provided by the Province.

Note 22 Pension Liability and Expense

The College participates in two multi-employer pension plans, Local Authorities Pension Plan (LAPP) and the Management Employees Pension Plan (MEPP). The expense for these plans is $1,061,636 for the year ended June 30, 2004 (2003 - $854,121).

1) Local Authorities Pension Plan
As at December 31, 2003, the LAPP reported a deficiency of $1,410,987,000 (2002 - $444,980,000). Effective January 1, 2003, the employers' contribution rate was increased by 0.5%. Rates were increased further January 1, 2004 by 1.077%.

2) Management Employee Pension Plan
As at December 31, 2003 the MEPP reported a deficiency of $290,014,000 (2002 - $301,968,000). Effective April 1, 2003, the employer's contribution rate was increased by 2.35%.

Note 23 **Amount in Dispute**

An assessment by Canada Revenue Agency (CRA) for Goods and Services tax has resulted in $205,996 being accrued in the 2003 financial statements for fire etc. Fire etc. is disputing the assessment and it is the view of management that this amount will be recovered through the appeal process.

Note 24 **Prior Period Adjustments**

Prior year balances have been restated as follows:

	2003		
	As Previously Stated	Adjustment	As Restated
(1) Unamortized deferred capital contributions	$ 46,786,810	$ (93,271)	$ 46,693,539
Deferred contributions	1,308,067	93,271	1,401,338
(2) Unearned revenue	$ 1,275,072	$ 191,472	$ 1,466,544
Tuition and related fees	7,999,449	(191,472)	7,807,977
(3) Accounts receivable & prepaids	2,222,848	(86,455)	2,136,393
Supplies and services	11,164,931	86,455	11,251,386

(1) Amounts that were recorded as unamortized deferred capital contributions in 2003 are being restated in deferred contributions.

(2) Course fees assessed and collected in the 2003 year are being deferred to the 2004 year when courses activity took place.

(3) An additional allowance for doubtful accounts is being set up against the 2003 accounts receivable.

The total effect of these adjustments was a $277,936 increase in the Deficiency of Revenues over Expenses in 2003.

Note 25 **Subsequent Events**

Subsequent to the date of the financial statements, on July 1, 2004, fire etc. was amalgamated with its parent Lakeland College.

Note 26 **Contingent Liabilities**

Lakeland College is defendant in a number of legal proceedings. Claims against the College in these proceedings have not been reflected in the financial statements. While the ultimate outcome and liability of these proceedings cannot be reasonably estimated at this time, the College believes that any settlement will not have a material adverse effect on the financial position or results of operations of the College.

Note 27 **Comparative Figures**

The 2003 figures have been reclassified where necessary to conform to 2004 presentation.

Note 28 **Approval of Financial Statements**

These financial statements were approved by the Board of Governors.

fire etc.

Financial Statements

For year ended June 30, 2004

Auditor's Report

Financial Statements:

- Statement of Financial Position
- Statement of Operations
- Statement of Changes in Net Assets
- Statement of Cash Flows
- Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Members of fire etc. (Emergency Training Centre)

I have audited the statement of financial position of fire etc. (the "School") as at June 30, 2004 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the School's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the School as at June 30, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
November 15, 2004

fire etc. (Emergency Training Centre)

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2004

ASSETS	2004	2003 As Restated in Note 16
Current:		
Cash	$ 11,492	$ 97,791
Accounts receivable	733,058	1,261,879
Inventories (Note 3)	232,551	158,261
Prepaid expenses	53,614	4,257
Current portion of loans receivable (Note 4)	6,516	8,676
	1,037,231	1,530,864
Loans receivable (Note 4)	4,135	4,936
Capital assets (Note 5)	6,429,808	6,828,944
	$ 7,471,174	$ 8,364,744
LIABILITIES AND SHAREHOLDERS EQUITY		
Current:		
Accounts payable and accrued liabilities	$ 324,134	$ 560,263
Due to Lakeland College (Note 14)	377,426	662,843
Unearned revenue and deferred contributions (Note 6)	887,513	1,086,804
Current portion of long-term debt (Note 9)	505,972	153,593
	2,095,045	2,463,503
Long term debt (Note 9)	-	496,603
Unamortized deferred capital contributions (Note 8)	5,398,264	5,851,174
Subsequent Event (Note 17)		
Net assets		
Share capital (Note 10)	1	1
Unrestricted net assets	(419,991)	(645,411)
Invested in capital assets	397,855	198,874
	(22,135)	(446,536)
	$ 7,471,174	$ 8,364,744

The accompanying notes are part of these financial statements.

fire etc. (Emergency Training Centre)

STATEMENT OF OPERATIONS

FOR THE YEAR ENDING JUNE 30, 2004

	Budget 2004 (Note 15)	2004	2003 As Restated in Note 16
Revenues:			
Program fees	$4,393,680	$ 5,402,561	$ 3,814,987
Grants (Note 6)	2,149,250	2,126,823	2,180,111
Amortization of deferred capital contributions (Note 8)	356,400	452,910	457,614
Sales, rentals, and services	24,000	154,124	27,116
Investments	12,000	6,788	13,725
Donations	-	-	241
	6,935,330	8,143,206	6,493,794
Expenses:			
Professional development	48,360	49,107	28,603
Salaries and benefits (Note 11)	3,232,605	3,507,099	3,025,376
Supplies and services	1,302,892	1,386,009	1,301,937
Consulting fees	942,828	1,168,709	1,083,423
Insurance expense	117,996	162,750	151,770
Interest and bank charges	21,120	35,194	26,036
Interest on long term debt	27,816	21,788	27,325
Facilities costs	371,160	392,591	469,206
Utilities	211,500	197,408	205,369
Subsidized student lodging	110,340	103,836	123,914
Bad debt expense	-	131,404	154,321
Loss on disposal of assets	-	-	6,872
Amortization of externally funded capital assets	356,400	452,910	457,614
Amortization of internally funded capital assets	91,560	110,000	91,573
	6,834,577	7,718,805	7,153,339
Excess (deficiency) of revenues over expenses	$ 100,753	$ 424,401	$ (659,545)

The accompanying notes are part of these financial statements.

fire etc. (Emergency Training Centre)

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDING JUNE 30, 2004

	2004				2003 As Restated in Note 16
	Unrestricted	Investment in capital assets	Share capital	Total	Total
Excess (deficiency) of revenues over expenses	$ 424,401	$ -	$ -	$ 424,401	$ (659,545)
Transfers:					
Capital assets acquired from internal funds	(163,774)	163,774			
Amortization of internally funded capital assets	110,000	(110,000)	-	-	-
Repayment of loans (net)	(145,207)	145,207	-	-	-
Increase (decrease) in net assets	225,420	198,981	-	424,401	(659,545)
Balance at beginning of year as restated	(645,411)	198,874	1	(446,536)	213,009
Balance at end of year	$ (419,991)	$ 397,855	$ 1	$ (22,135)	$ (446,536)

The accompanying notes are part of these financial statements

fire etc. (Emergency Training Centre)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDING JUNE 30, 2004

	2004	2003
Cash flows from (used in) operating activities:		
Cash receipts from customers	$ 5,803,994	$ 3,700,343
Cash paid to suppliers and employees	(7,615,663)	(6,545,778)
Grants received	2,076,823	1,981,876
Donations	-	241
Investment income received	7,605	15,054
Interest paid	(54,021)	(53,279)
Cash generated from (used in) operating activities	218,738	(901,543)
Cash flows from (used in) investing activities:		
Amounts collected from employees	16,324	18,574
Loans advanced to employees	(13,363)	(10,111)
Proceeds from sale of assets	-	19,500
Purchased capital assets	(163,774)	(339,870)
Cash used in investing activities	(160,813)	(311,907)
Cash flows from (used in) financing activities:		
Proceeds from loans for computer loan program	983	1,393
Repayment of long term debt	(145,207)	(132,046)
Capital contributions received	-	339,870
Cash from (used in) financing activities	(144,224)	209,217
Decrease in cash	(86,299)	(1,004,233)
Cash, beginning of year	97,791	1,102,024
Cash, end of year	$ 11,492	$ 97,791

The accompanying notes are part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2004

Note 1 Authority and Purpose

Effective July 1, 2002, by order in Council dated June 25, 2002 and in accordance with a resolution of the Board of Governors of Lakeland College (the "College"), the Province of Alberta approved the incorporation of **fire etc.** (Emergency Training Centre) herein referred to as (the "School") under Part IX of the Companies Act on July 17, 2002 as a not-for-profit organization. The School is exempt from income taxes under the Income Tax Act. The School, in cooperation with clients and partners, provides emergency service training programs.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

The School, a wholly owned subsidiary of Lakeland College, continues the operations of its predecessor corporation, the Alberta Fire Training School Inc..

(b) Classification of Callable Debt Obligations and Debt Obligations Expected to be Refinanced

All borrowings, where the lender has the right to demand repayment within a period of twelve months (other than in the event of default or breach of covenants), or where the lender may decide not to roll over the borrowings for a further lending period longer than twelve months, are classified as current liabilities unless a waiver has been obtained from the School's lender indicating payment of the demand facilities will not be required in the next twelve months.

(c) Revenue Recognition

(i) Operating grants from the College are recorded as revenue in the period they become receivable.

(ii) Amounts received for program fees and the sale of goods and services are recognized as revenue at the time the goods are delivered or the services are provided.

(iii) Capital grants from the College and capital donations are recorded as deferred capital contributions until the amounts are invested in capital assets. Amounts invested representing funded capital assets are transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense for the funded capital assets is recorded.

(iv) Externally restricted non-capital contributions are deferred and recognized as revenue in the year when related expenses are incurred.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(v) Capital assets contributed, or restricted contributions for the purchase of capital assets, which will not be amortized, are recorded as direct increases to net assets invested in capital assets.

(vi) Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can reasonably be determined.

(d) Capital Assets

The land and buildings, which house the School, were transferred to the College from the Department of Infrastructure (Infrastructure) on March 31, 1998. The remaining useful life of the buildings at the time of transfer was 3 years to 37 years.

A renewable facility license agreement was granted to the predecessor corporation effective April 1, 1998 for use of the College assets. The facility license, providing the right to use the buildings and land, was recorded as an asset of the predecessor corporation at fair value. Fair value was estimated as Alberta Infrastructure's net book value at the time of transfer to the College. The facility license agreement has been renewed effective July 1, 2002.

Subsequent additions are recorded as leasehold improvements at cost.

Furnishings and equipment are recorded at cost, except for donated assets, which are recorded at fair value.

Capital assets are amortized on a straight-line basis over the following estimated average useful lives:

Facility license - buildings	3 to 37 years
Furniture and equipment	10 years
Computers and telecommunication equipment	5 years
Service vehicles	5 years
Leasehold improvements	30 to 32 years

(e) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(f) Employee future benefits

The School participates in the Management Employees Pension Plan and Local Authorities Pension Plan. These pension plans are multi-employer defined benefit plans that provide pensions for the School's employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the period based on rates which are expected to provide for benefits payable under the respective pension plans. The School's portion of the pension plans' deficit or surplus is not recorded by the School.

(g) Measurement Uncertainty

The financial statements by their nature contain estimates and are subject to measurement uncertainty. For example, the amounts recorded for amortization of capital assets and amortization of deferred capital contributions are based on estimates of the useful lives of the related assets. Allowance for doubtful accounts is based on estimates of collectability of accounts. The effect on the financial statements of changes in such estimtes could be significant.

(h) Financial Instruments

The carrying values of accounts receivable and accounts payable and accrued liabilities approximate their fair market values because of the short-term nature of these items.

It is not practicable to determine the fair value of loans receivable and due to Lakeland College because these instruments are not traded in an organized financial market.

The carrying value of the long-term debt approximates its market value.

The Canadian Imperial Bank of Commerce loans in the amount of $23,567 bear interest, which fluctuates with the Bank of Canada prime rate, thus exposing the organization to interest rate fluctuations.

Note 3 Inventories

Inventories consist of:

	2004	2003
Firefighting agents	$ 75,398	$ 69,973
Fuels	41,772	42,475
Course guides	45,239	36,453
Consumables	11,385	9,360
Gift shop - KIOSK	58,757	-
	$ 232,551	$ 158,261

fire etc. (Emergency Training Centre)

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2004

Note 4 Loans Receivable

	2004	2003
Employee notes receivable	$ 10,651	$ 13,612
Less: current portion	(6,516)	(8,676)
	$ 4,135	$ 4,936

The loans are receivable from employees in bi-weekly installments of $675 including interest at a rate of 8.5% per annum. The advances were made under the provisions of an employee computer purchase program with with installments made through payroll deductions.

Aggregate annual maturities of long-term loans receivable follow:

2004/05	$ 6,516
2005/06	4,135
	$ 10,651

Note 5 Capital Assets

Capital assets consist of:

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Facility license				
Buildings	$ 5,254,016	$ (1,118,151)	$ 4,135,865	$ 4,298,801
Land	97,091	-	97,091	97,091
Furniture and equipment	1,212,216	(450,542)	761,674	738,244
Computers and telecommunications equipment	1,082,071	(598,848)	483,223	657,725
Leasehold improvements	989,908	(123,132)	866,776	895,993
Service vehicles	350,611	(265,432)	85,179	141,090
	$ 8,985,913	$ (2,556,105)	$ 6,429,808	$ 6,828,944

Note 6 Unearned Revenue and Deferred Contributions

	2004	2003 As Restated in Note 16
Deferred contributions	$ 1,765	$ 51,765
Unearned revenue	885,748	1,035,039
	$ 887,513	$ 1,086,804

The deferred contribution balance is comprised of the following:

	2004	2003
Amounts received or receivable from:		
Lakeland College	$ 2,065,500	$ 2,060,764
Alberta Municipal Affairs	-	47,696
Human Resources Development Canada	11,323	42,166
	2,076,823	2,150,626
Amounts recognized as revenue:		
Grants	(2,065,500)	(2,060,764)
Conditional grants	(61,323)	(119,347)
	(2,126,823)	(2,180,111)
Change during the year	(50,000)	(29,485)
Balance at beginning of year	51,765	81,250
	$ 1,765	$ 51,765

Unspent amounts at the end of the year are restricted for the following purposes:

	2004	2003
Current:		
Safety Codes Officer Training Initiative	$ 1,765	$ 51,765

Note 7 Deferred Capital Contributions

Changes in deferred capital contributions are as follows:

	2004	2003
Balance at beginning of year	$ -	$ -
Capital grants received during the year	-	323,653
Capital donations received during the year	-	16,217
Transferred to unamortized deferred capital contributions (Note 8)	-	(339,870)
Balance at end of year	$ -	$ -

Note 8 Unamortized Deferred Capital Contributions

	2004	2003
Balance at beginning of year	$ 5,851,174	$ 5,968,918
Transferred from deferred capital contributions (Note 7)	-	339,870
Transferred to revenue	(452,910)	(457,614)
Balance at end of year	$ 5,398,264	$ 5,851,174

Note 9 Long Term Debt

Details of long term debt and security held follow:

		2004			2003
		Total	Current Portion	Long Term Portion	Total Long Term Portion
(a)	Bank loan	$ 461,346	$ 461,346	$ -	$ 461,636
(b)	Bank loan	4,523	4,523	-	4,523
(c)	Finance contracts	16,536	16,536	-	16,536
(d)	Bank loan	8,972	8,972	-	8,972
(e)	Bank loan	14,595	14,595	-	4,936
		$ 505,972	$ 505,972	$ -	$ 496,603

(a) The bank loan is due on demand and payable to the Canadian Imperial Bank of Commerce in monthly installments of $9,171 including interest fixed at a rate of .70% above the interest rate paid on the term deposit held for collateral. The interest rate at June 30, 2004 was 2.95%. The loan is due upon demand and is secured with a general security agreement and a $934,049 term deposit owned by Lakeland College. The loan matures in 2010.

(b) The bank loan is payable to the Bank of Nova Scotia in monthly installments of $586 including interest at a rate of 9.4%. The loan is secured by a lien on a service vehicle with a net book value of $8,131 and matures in 2005.

(c) The finance contracts are payable to the General Motors Acceptance Corporation in combined monthly installments of $1,849 including interest at a rate of 1.9%. The contracts are secured by liens on service vehicles with a net book value of $29,284 and mature in 2005.

(d) The bank loan is due on demand, and payable to the Canadian Imperial Bank of Commerce in monthly installments of $897 plus interest at a rate equal to the bank's prime rate plus 0.75%. The contract is secured by a general security agreement and a lien on a service vehicle with a net book value of $15,091. The loan matures in 2005.

The proceeds for all the above loans were used to acquire capital assets.

(e) The bank loan is due on demand and related to employee computer purchases and is payable to the Canadian Imperial Bank of Commerce in installments equal to bi-weekly payroll deductions of $675 including interest at a rate equal to the bank's prime rate plus 1%. The loan matures in 2004.

Note 9 Long Term Debt (continued)

Aggregate annual maturities of long term debt follow

2004/05	$ 505,972

Note 10 Share Capital

	2004	2003
Authorized:		
1000 Class "A" voting common shares		
Issued:		
100 common shares	$ 1	$ 1

Note 11 Salaries and Benefits

	2004				2003
	Base Salary	Other Cash Benefits	Other Non-Cash Benefits	Total	Total
Chairman of the Board	$ -	$ 8,190	$ 486	$ 8,676	$ 10,962
Board Members	-	29,344	963	30,307	31,600
Chief Executive Officer	115,983	36,453	21,106	173,542	124,771
VP-Finance and Corporate Services	96,226	6,154	12,357	114,737	31,433
Managers, Operations (2.5)	172,339	-	19,962	192,301	280,666
Manager, Course Development and Accreditation	74,933	7,500	12,290	94,723	84,290

(1) Base salary includes pensionable base pay

(2) Other cash benefits include bonuses, overtime, lump sum payments and honoraria.

(3) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, out of country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short term disability plan, professional memberships and tuition
Other non-cash benefits figure also includes the Employer's share of the cost of additional benefits including sabbaticals or other special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances, and club memberships.

Note 12 Pensions Expense

The School participates in two multi-employer pension plans, Local Authorities Pension Plan (LAPP) and the Management Employees Pension Plan (MEPP). The expense for these plans is $1,061,636 for the year ended. June 30, 2004 (2003 - $854,121).

1) Local Authorities Penison Plan
As at December 31, 2003, the LAPP reported a deficiency of $1,410,987,000 (2002 - $444,980,000). Effective January 1, 2003, the employers' contribution rate was increased by 0.5%. Rates were increased further January 1, 2004 by 1.077%.

2) Management Employee Penison Plan
As at December 31, 2003 the MEPP reported a deficiency of $290,014,000 (2002 - $301,968,000). Effective April 1, 2003, the employer's contribution rate was increased by 2.35%.

Note 13 Commitments

The School has the following operating lease commitments for duplicating and faxing equipment:

2005	$	8,228
2006		8,228
2007		5,094
2008 and subsequent		294
	$	21,844

The School also has a commitment to Emergency Service Academy for $44,810 which will be repaid within the next fiscal year.
The School has a commitment to Firemaster for $68,633 which will be repaid within the next fiscal year.
These commitments related to courses offered through fire etc. by these organizations.

Note 14 Related Party Transactions

Lakeland College

The School is a wholly owned subsidiary of the College. The Board of Governors of Lakeland College appoints five of its members to the School's eight member Board of Directors. The School is economically dependent on the College for grant revenue in order to maintain its ability to continue viable operations and services. A renewable facility license agreement has been granted to the School for use of the College assets. (see Note 2(d)). Transactions during the period between the School and the College, measured at the exchange amount, are summarized as follows:

		2004		2003
Operating grants from the College	$	**2,065,500**	$	2,060,764
Supplies, goods and services purchased from the College		**341,142**		653,031
Services sold to the College		**8,530**		93,236
Capital grants				323,654
As at the date of the Statement of Financial Position, the School had:				
Due to Lakeland College		**377,426**		662,843

Note 14 Related Party Transactions (continued)

Included in the Due to Lakeland College is an amount of $142,312 with interest payable at a rate of 4% per annum which was for the purchase of capital assets.

Transactions during the period between the School and other public colleges are on normal terms and total $306,181.

Note 15 Budget

On May 2, 2003, the Board of Directors approved a revenue and expense budget by program and department for the year ended June 30, 2004.

Note 16 Prior Period Adjustment

Prior year balances have been restated as follows:

		2003		
		As Previously Stated	Adjustment	As Restated
(1)	Unearned revenue and deferred contributions	895,332	191,472	1,086,804
	Program fees	4,006,459	(191,472)	3,814,987
(2)	Accounts receivable	1,348,334	(86,455)	1,261,879
	Bad debt expense	67,866	86,455	154,321

(1) Course fees assessed and collected in the 2003 year are being deferred to the 2004 year when courses activity took place.

(2) An additional allowance for doubtful accounts is being set up against the 2003 accounts receivable.

In total the effect of these adjustments was a $277,936 increase in the Deficiency of Revenues over Expense in 2003.

Note 17 Subsequent Event

Subsequent to the date of the financial statements, on July 1, 2004, fire etc. was amalgamated with its parent Lakeland College.
Certain employee contracts were terminated. These employees were compensated with severance packages. At year end, all severance costs have been paid.

Note 18 Amount in Dispute

An assessment by the Canada Revenue Agency for Goods and Services tax has resulted in $205,996 being accrued in the 2003 financial statements. The School is disputing the assessment. It is the view of management that this amount will be recovered through the appeal process.

Note 19 Approval of Financial Statements

The financial statements have been approved by the Board of Directors of Lakeland College.

LETHBRIDGE COMMUNITY COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Revenue and Expense

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of Lethbridge Community College

I have audited the consolidated statement of financial position of Lethbridge Community College as at June 30, 2004 and the consolidated statements of revenue and expense, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
September 21, 2004

LETHBRIDGE COMMUNITY COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2004

	2004	2003
ASSETS		
Current:		
Cash and investments (Note 3)	$ 2,055,747	$ 72,950
Accounts receivable (Note 4)	1,083,547	1,271,238
Accrued investment income	42,400	37,383
Inventories (Note 5)	496,871	571,918
Prepaid expenses	279,448	378,471
	3,958,013	2,331,960
Non-current cash and investments (Note 3)	7,930,512	9,049,183
Capital assets (Note 6)	51,934,978	51,653,982
	$ 63,823,503	$ 63,035,125
LIABILITIES AND NET ASSETS		
Current:		
Bank overdraft	$ -	$ 1,601,336
Accounts payable and accrued liabilities	1,544,141	996,904
Accrued vacation pay	717,524	761,306
Unearned revenue (Note 7)	1,027,859	924,200
Deferred contributions (Note 8)	1,250,931	1,527,315
Current portion of debenture payable (Note 10)	141,805	133,621
	4,682,260	5,944,682
Deferred capital contributions (Note 8)	1,653,626	830,090
Debenture payable (Note 10)	6,105,023	6,246,828
Unamortized deferred capital contributions (Note 11)	34,004,809	37,121,192
	41,763,458	44,198,110
	46,445,718	50,142,792
Net assets:		
Internally restricted (Note 12)	1,308,894	766,747
Investment in capital assets (Note 6)	11,683,341	8,152,341
Endowments (Note 13)	4,385,550	3,973,245
	17,377,785	12,892,333
Commitments and contingencies (Note 21)		
	$ 63,823,503	$ 63,035,125

The accompanying notes are part of these financial statements.

LETHBRIDGE COMMUNITY COLLEGE
CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED JUNE 30, 2004

	2004		2003
	Budget (Note 22)	Actual	Actual
Revenue:			
Grants (Note 14)	$ 25,647,976	$ 27,166,017	$ 26,348,179
Tuition and related fees	14,696,344	14,523,818	13,150,408
Sales, rentals and services (Note 15)	6,959,286	7,062,480	6,689,450
Contract programs	1,000,642	1,333,238	1,112,352
Investment income (Note 16)	330,198	461,553	161,393
Donations	189,000	123,214	150,346
Amortization of deferred capital contributions (Note 11)	3,532,118	3,620,852	3,675,642
	52,355,564	54,291,172	51,287,770
Expense (Note 17):			
Salaries and benefits (Note 18)	31,635,544	32,948,893	34,010,747
Supplies and services	8,232,606	7,993,775	7,473,584
Cost of sales, rentals and services (Note 15)	3,211,227	2,907,049	3,056,680
Utilities	1,828,000	1,797,948	1,677,656
Scholarships and bursaries	150,000	132,097	119,814
Debenture interest	391,102	388,074	395,944
Amortization of capital assets	4,268,517	4,046,771	4,110,555
	49,716,996	50,214,607	50,844,980
Excess of revenue over expense	$ 2,638,568	$ 4,076,565	$ 442,790

LETHBRIDGE COMMUNITY COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004

	2004					2003
	Unrestricted	Internally Restricted (Note 12)	Investment in Capital Assets (Note 6)	Restricted for Endowment Purposes (Note 13)	Total	Total
Balance at beginning of year	$ -	$ 766,747	$ 8,152,341	$ 3,973,245	$ 12,892,333	$ 12,071,351
Excess of revenue over expense	4,076,565	-	-	-	4,076,565	442,790
Net internally restricted assets utilized	(542,147)	542,147	-	-	-	-
Capital assets acquired from internal funds	(3,846,601)	-	3,846,601	-	-	-
Amortization of internally funded capital assets	449,222	-	(449,222)	-	-	-
Repayment of debenture related to capital assets	(133,621)	-	133,621	-	-	-
Transfer to endowments	(3,418)	-	-	3,418	-	-
Endowment contributions received	-	-	-	408,887	408,887	378,192
Balance at end of year	$ -	$ 1,308,894	$ 11,683,341	$ 4,385,550	$ 17,377,785	$ 12,892,333

LETHBRIDGE COMMUNITY COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

	2004		2003
	Budget (Note 22)	Actual	Actual
Cash flows generated from operating activities:			
Excess of revenue over expense	$ 2,638,568	$ 4,076,565	$ 442,790
Amortization of capital assets	4,268,517	4,046,771	4,110,555
Amortization of deferred capital contributions	(3,532,118)	(3,620,852)	(3,675,642)
	3,374,967	4,502,484	877,703
Changes in non-cash working capital:			
Accounts receivable	-	187,691	(52,427)
Accrued investment income	-	(5,017)	23,422
Inventories	-	75,047	161,433
Prepaid expenses	-	99,023	(66,531)
Accounts payable and accrued liabilities	-	547,237	260,504
Accrued vacation pay	-	(43,782)	51,857
Unearned revenue	-	103,659	111,164
Deferred contributions	-	(276,384)	(1,434,711)
	-	687,474	(945,289)
	3,374,967	5,189,958	(67,586)
Cash flows used by investing activities:			
Acquisition of capital assets:			
From internal funds	(2,337,187)	(3,846,601)	(1,735,551)
From deferred contributions	(537,313)	(504,469)	(2,857,208)
Proceeds from disposal of capital assets	-	23,303	33,010
Decrease in non-current cash and investments	-	1,118,671	3,201,566
	(2,874,500)	(3,209,096)	(1,358,183)
Cash flows generated from financing activities:			
Capital contributions received	289,495	1,385,883	794,188
Transfer from (to) Deferred Contributions	396,468	(57,878)	1,411,235
Debenture principal repayment	(133,621)	(133,621)	(125,909)
Accounts payable and accrued liabilities for construction	-	-	(1,735,380)
Endowment contributions received	44,826	408,887	378.192
	597,168	1,603,271	722,326
Increase (decrease) in current cash and investments, net of change in bank overdraft	1,097,635	3,584,133	(703,443)
Current cash and investments, net of bank overdraft, beginning of year	(639,014)	(1,528,386)	(824,943)
Current cash and investments, net of bank overdraft, end of year	$ 458,621	$ 2,055,747	$(1,528,386)

LETHBRIDGE COMMUNITY COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004

Note 1 Authority and Purpose

Lethbridge Community College was established as a board governed institution on April 17, 1957. The College operates under the authority of the Post Secondary Learning Act, Chapter P19.5, Statutes of Alberta 2003. The College provides educational programs to serve the career education and training needs of students and employers and to respond to personal and community development needs through an extensive offering of general interest courses and public service outreach activities. The College is a registered charity and is exempt from payment of income tax.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Consolidated Statements

These consolidated financial statements include the accounts of Lethbridge Community College Foundation ("the Foundation"), which operates under the Companies Act of Alberta. The Foundation is a registered charity and is exempt from payment of income tax. Certain administrative services are provided by the College without charge to the Foundation.

The accounts of the two organizations have been consolidated to reflect the financial position and results of operations as though they were a single economic entity, since the Foundation solicits, receives and administers donations for the advancement of the College. Inter-entity balances and transactions have been eliminated on consolidation.

(b) Revenue Recognition

Operating contributions, including grants from the Province of Alberta, are recognized as revenue in the period when they become receivable. Operating contributions received for a future period are reported as deferred contributions and recognized as revenue in the subsequent period.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(b) Revenue Recognition (continued)

Capital contributions, including capital grants from the Province of Alberta, are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and the deferred capital contributions revenue are matched to indicate that the related amortization expense has been funded. Capital contributions invested in capital assets that will not be amortized are recognized as direct increases in net assets.

Externally restricted non-capital contributions and externally restricted interest earned on non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by external parties. If the contributors stipulate that the amounts cannot be expended, as is the case with endowments, the contributions are recorded as direct increases in net assets.

Donations which are not externally restricted are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Pledges are recorded in the year the donation is received.

Amounts received for tuition fees and sale of goods and services are classified as unearned and recognized as revenue at the time the goods are delivered or the services are provided.

(c) Net Assets Internally Restricted

Net assets internally restricted represent amounts set aside by the College Board of Governors, or by the Foundation Board of Directors, to be used for designated purposes.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(d) Investments

Temporary investments are recorded at the lower of cost or market value.

Investments intended to be held for longer term are recorded at cost. Gains and losses on investments are recognized as realized or when there is an other than temporary decline in the value of the investment.

(e) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost and replacement value. Cost is determined using the weighted average method for the Bookstore and the first in, first out method for all other inventories.

(f) Capital Assets

Capital assets are recorded at cost. Donated assets are recorded at fair value at the time of the donation.

Capital assets are amortized on a straight-line basis as follows:

Buildings and site improvements	40 years
Leasehold improvements	Period of lease
Furnishings and equipment	10 years
Library	10 years
Motor vehicles	5 years
Computer equipment and systems software	5 years
Audio and visual equipment	2 years

The permanent art collection is recorded at the appraised value at the time of donation. The permanent art collection is not amortized. The collection is made up of numerous pieces of art that are held for display at the College.

Capital projects in progress are not amortized until the project is complete.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(g) Employee Future Benefits

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's surplus or deficit is not recorded in the accounts.

(h) Financial Instruments

Unless otherwise noted, the carrying values of financial assets and liabilities approximate their fair values.

(i) Use of Estimates

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Note 3 Cash and Investments

The Board of Governors has approved an investment strategy with primary investment objectives being the preservation of capital and the generation of a competitive total return. The investment policy provides guidelines on the asset mix, diversification, quality and nature of securities, and the term of the fixed income securities. The guidelines are as follows:

a) Asset Class

Cash equivalents	from 0% to 60% of total portfolio
Fixed income securities	from 40% to 80% of total portfolio
Equities	from 0% to 50% of total portfolio

To measure investment performance and identify the return attributed to the asset mix and asset selection decisions, the College has established a portfolio benchmark of 5% cash equivalents, 60% fixed income securities and 35% equities. Further, it measures cash equivalent returns against the return from the historical treasury bill rate over a rolling four year period, fixed income returns against the return for the Scotia McLeod Universe Index, and equity returns against the return for the TSX 300 Index, S&P 500 Index for U.S. equities and the Morgan Stanley Capital International, Europe, Australia and Far East Index for international equities.

b) Diversification

No more than 10% of the total portfolio will be invested in any one money market issuer other than investments in issuers with a minimum BBB rating as defined by a recognized bond rating service or those guaranteed by the Government of Canada or the Province of Alberta. With these conditions, the maximum investment may be extended to 20% of the total portfolio. No more than 10% of the portfolio will be invested in any one government bond issue other than the Government of Canada or the Province of Alberta. A 30% maximum is placed on any single industry investment and a 4% maximum on any single issuer in the private sector.

Note 3 Cash and Investments (continued)

c) Quality and Nature of Securities

All money market securities will be rated "R-1" or equivalent by the Canadian Bond Rating or the Dominion Bond Rating Services. All corporate and government bonds will carry a rating of a minimum equivalent BBB rating by a recognized bond rating service.

	2004		2003	
	Carrying Value	Fair Value(i)	Carrying Value	Fair Value(i)
Cash and temporary investments:				
Cash (Overdraft of investment margin account)	$ 2,197,542	$ 2,197,542	$(1,135,204)	$ (1,135,204)
Fixed income:(ii)				
Federal guaranteed bonds	1,640,660	1,635,054	1,098,568	1,127,185
Provincial guaranteed bonds	1,868,848	1,831,424	1,003,783	1,056,767
Corporate bonds	1,415,379	1,428,832	1,597,989	1,667,531
Foreign currencies bonds	-	-	1,070,000	1,055,111
	4,924,887	4,895,310	4,770,340	4,906,594
Equities:(i)				
Canadian	705,682	933,898	1,793,200	1,957,654
Foreign	2,158,148	2,038,068	3,693,797	2,926,962
	2,863,830	2,971,966	5,486,997	4,884,616
	9,986,259	10,064,818	9,122,133	8,656,006
Less amounts not available for current purposes	7,930,512	8,009,071	9,049,183	8,583,056
Cash and investments	$ 2,055,747	$ 2,055,747	$ 72,950	$ 72,950

(i) On a total basis, the market value of all investments is $78,559 greater than (2003 - $466,127 less than) cost. Within the investment portfolio, foreign equities, at market value of $2,038,068, are $120,080 less than (2003 - $766,835) cost. In 2004, management concluded that it was not necessary to write down investments based on review of market information as there was no obvious indication of impairment that was other than temporary (2003 - $269,076 write down).

(ii) The terms of the bond portfolio range from 1 year to 9 years with an average term to maturity of 5 years (2003 - 5 years). The average effective yield on the bond portfolio is 5.17% (2003 – 5.31%).

Note 4 Accounts Receivable

	2004	2003
Contracts programs	$ 416,845	$ 485,066
Province of Alberta:		
Alberta Learning	120,641	123,416
Alberta Infrastructure	-	42,558
Other Alberta Government departments	83,819	196,030
Government of Canada - Goods and Services Tax	84,523	101,148
Tuition fees	61,205	84,284
Other	316,514	238,736
	$ 1,083,547	$ 1,271,238

Note 5 Inventories

	2004	2003
Bookstore	$ 385,316	$ 404,769
Cafeteria	47,062	39,646
Printing	24,023	75,491
Distance Education Centre	6,873	10,407
Other	33,597	41,605
	$ 496,871	$ 571,918

Note 6 Capital Assets

a) Summary of Cost and Net Book Value

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 432,465	$ -	$ 432,465	$ 432,465
Building and site improvements	87,037,869	44,172,366	42,865,503	45,377,767
Leasehold improvements	49,826	49,826	-	-
Furnishings and equipment	10,899,337	8,845,852	2,053,485	2,201,813
Library	1,129,756	900,078	229,678	218,954
Motor vehicles	941,339	749,583	191,756	276,442
Computer equipment and systems software	8,523,588	7,540,680	982,908	1,489,624
Audio and visual equipment	562,074	534,065	28,009	22,167
Permanent art collection	370,749	-	370,749	370,749
	109,947,003	62,792,450	47,154,553	50,389,981
Capital project in progress [i]	4,940,824	160,399	4,780,425	1,264,001
	$ 114,887,827	$ 62,952,849	51,934,978	51,653,982
Less: Construction financed by debenture			6,246,828	6,380,449
Unamortized deferred capital contributions			34,004,809	37,121,192
Net investment in capital assets			$ 11,683,341	$ 8,152,341

[i] Capital project in progress includes components which were completed and put into use as follows:

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furnishings and equipment	$ 6,888	$ 1,378	$ 5,510	$ 6,200
Computer equipment and systems software	507,633	159,021	348,612	13,323
	$ 514,521	$ 160,399	$ 354,122	$ 19,523

Note 6 Capital Assets (continued)

b) Capital Acquisitions

Capital acquisitions during the year included certain donations in kind at fair value of $36,838 (2003 - $109,299).

Note 7 Unearned Revenue

	2004	2003
Contract programs	$ 624,246	$602,354
Tuition fees	348,333	246,996
Other	55,280	74,850
	$1,027,859	$924,200

Note 8 Deferred Contributions and Deferred Capital Contributions

Deferred contributions represent donations and contributions received relating to future years and unspent funds for externally restricted purposes. Changes in the balances are as follows:

	2004	2003
Contributions received:		
Grants, Province of Alberta	$ 1,223,295	$ 694,830
Other contributions	564,268	612,919
Investment income (loss) on net assets externally restricted for endowment purposes	(23,310)	157,633
Transferred to:		
Grants, Province of Alberta	(612,728)	(386,691)
Donations	(123,214)	(150,346)
Investment income (Note 16)	23,310	(157,633)
Unamortized deferred capital contributions (Note 11)	(504,469)	(2,857,208)
Increase (decrease) during the year	547,152	(2,086,496)
Balance at beginning of year	2,357,405	4,443,901
Balance at end of year	$ 2,904,557	$ 2,357,405

The balances at end of year represent funds held for the following purposes:

	2004	2003
Deferred contributions:		
Conditionally funded projects	$ 20,000	$ 105,687
Access program support	215,385	534,074
Scholarships, awards and bursaries	1,009,581	880,908
Other	5,965	6,646
	1,250,931	1,527,315
Deferred capital contributions:		
Conditionally funded projects: Buildings	1,047,282	522,163
Furniture and Equipment	366,160	107,359
Access program support	235,661	174,807
Endowment earnings	4,523	25,761
	1,653,626	830,090
	$ 2,904,557	$ 2,357,405

Note 9 Pension Costs

The College participates in the Local Authorities Pension Plan which is a multi-employer defined benefit plan. The pension expense recorded in these financial statements is equivalent to the College's annual contributions payable of $1,528,874 for the year ended June 30, 2004 (2003 - $1,329,614).

At December 31, 2003, the Local Authorities Pension Plan reported a deficit of $1,410,987,000 (2002 – $444,980,000). Effective January 1, 2003, the employers' contribution rate was increased by 0.5% with a further increase of 1.077% on January 1, 2004.

Note 10 Debenture Payable

The College Board received approval of the Lieutenant Governor in Council to borrow funds from the Alberta Capital Finance Authority (the "ACFA") to finance the campus residence expansion project. A $6,625,000 debenture (the "debenture") dated February 23, 2001, was issued by the College in favor of ACFA. The debenture is secured by a security agreement dated February 23, 2001 between the College and ACFA pursuant to which the College granted, in favor of ACFA, a security interest in all present and after acquired intangibles, accounts, monies, book debts, instruments, claims or rights and insurance proceeds.

The debenture, bearing interest at the rate of 6.125% per annum, is to be repaid in annual installments of $524,424, principal and interest. The debenture is due March 1, 2027.

	2004	2003
Debenture payable	$ 6,246,828	$ 6,380,449
Less current portion	141,805	133,621
	$ 6,105,023	$ 6,246,828

The aggregate maturities of principal required over the next five years and to maturity are as follows:

2005	$ 141,805
2006	150,491
2007	159,709
2008	169,491
2009	179,872
Thereafter	5,445,460
Total debenture payable	$ 6,246,828

Note 11 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the external funds invested in capital assets which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contributions balance are as follows:

	2004	2003
Balance at beginning of year	$ 37,121,192	$ 37,939,626
Add amount transferred from deferred capital contributions (Note 8)	504,469	2,857,208
Less amount amortized to revenue	(3,620,852)	(3,675,642)
Balance at end of year	$ 34,004,809	$ 37,121,192

Note 12 Net Assets Internally Restricted

Net assets internally restricted are held for the following purposes:

		Transfers to and from Unrestricted Net Assets		
	Balance at Beginning of Year	Deduct Funds Returned	Add Funds Appropriated	Balance at End of Year
Staff and program development	$ 395,463	$ 524,503	$ 684,386	$ 555,346
Foundation general reserve	13,811	1,188,828	1,202,751	27,734
College funded scholarships endowment earnings	134,625	5,250	717	130,092
Other endowment earnings	99,823	57,841	6,649	48,631
International education	71,450	71,450	-	-
Kodiak Team fund	50,596	83,152	78,849	46,293
Other	979	1,192	995	782
	766,747	1,932,216	1,974,347	808,878
Capital replacement	-	5,273,692	5,773,708	500,016
	$ 766,747	$ 7,205,908	$ 7,748,055	$ 1,308,894

The net transfer from Unrestricted Net Assets for the year ended June 30, 2004 comprises:

Funds returned	$ 7,205,908
Funds appropriated	7,748,055
	$ (542,147)

Note 13 Endowments

Endowments consist of restricted donations to the College and internal allocations by the Board of Governors, the principal of which is required to be maintained intact. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Endowments comprise the following:

	2004			2003
	Externally Funded	Internally Funded	Total	Total
Ronald Tiffin Agricultural Endowment Fund	$ 1,115,115	$ 242,164	$ 1,357,279	$ 1,319,411
Scholarships	2,378,776	73,096	2,451,872	2,084,511
Kodiak Athletics Fund	205,402	70,756	276,158	271,752
Talbot Education Fund	115,565	37,877	153,442	153,212
Industrial Technology Fund	62,500	26,282	88,782	86,532
Native Canadian Fund	28,200	15,690	43,890	43,746
Environmental Fund	9,104	5,023	14,127	14,081
	$ 3,914,662	$ 470,888	$ 4,385,550	$ 3,973,245

Note 14 Grants

Grant revenue consists of amounts received from the following sources:

	2004		2003
	Budget (Note 22)	Actual	Actual
Alberta Learning	$ 24,497,737	$ 25,462,385	$ 24,574,710
Alberta Infrastructure	-	417,803	296,152
Other Alberta Government departments	540,429	630,648	743,599
Other Government of Canada sources	600,562	586,086	685,953
Other sources	9,248	69,095	47,765
	$ 25,647,976	$ 27,166,017	$ 26,348,179

Note 15 Sales, Rentals and Services

Sales, rentals and services revenue and direct expense are summarized as follows:

	2004					2003
		Direct Expense				
	Revenue	Cost of Sales	Other	Total Direct Expense	Net	Net
Sales, rentals and non-ancillary services	$ 1,003,451	$ 450,850	$ -	$ 450,850	552,601	$ 189,261
Ancillary services (Note 17):						
Bookstore	2,657,289	1,960,838	214,971	2,175,809	481,480	483,644
Cafeteria	777,577	427,169	308,742	735,911	41,666	29,931
Residence	1,642,224	-	1,938,082	1,938,082	(295,858)	(347,866)
Parking	408,225	-	205,404	205,404	202,821	185,652
Meat Store	29,385	14,741	18,021	32,762	(3,377)	3,865
Carp operations	-	-	-	-	-	(124,877)
Daycare centre	222,386	-	228,155	228,155	(5,769)	(9,524)
Physical Education building	215,137	19,708	270,794	290,502	(75,365)	(62,580)
Health services	73,867	997	75,522	76,519	(2,652)	(3,676)
Athletics - special events	32,939	32,746	502	33,248	(309)	(645)
	6,059,029	2,456,199	3,260,193	5,716,392	342,637	153,924
	$ 7,062,480	$ 2,907,049	$ 3,260,193	$ 6,167,242	$ 895,238	$ 343,185

Note 16 Investment Income

	2004	2003
Investment earnings (loss) on net assets restricted for endowment purposes (Note 8)	$ (23,310)	$157,633
Add investment income from other sources	484,863	272,836
Less write down of securities held for investment	-	(269,076)
Total investment income recognized as revenue	$461,553	$161,393

Note 17 Expense by Function

Instruction encompasses all formal educational and instructional program elements. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio visual services. Student services include all scholarships, bursaries and activities or services to the student body of the College. Institutional support includes all activities that provide institution-wide support to other programs.

	2004		2003
	Budget (Note 22)	Actual	Actual
Instruction	$ 22,368,211	$ 23,834,081	$ 24,187,258
Academic support	4,319,887	3,677,576	4,690,465
Student services	2,464,906	2,515,034	2,461,100
Institutional support	8,886,121	8,656,063	8,343,058
Ancillary services (Note 15)	5,954,489	5,716,392	5,759,831
Computer services	1,932,051	2,261,587	1,782,748
Amortization of capital assets	4,268,517	4,046,771	4,110,555
	50,194,182	50,707,504	51,335,015
Less amortization of capital assets - Ancillary services	477,186	492,897	490,035
	$ 49,716,996	$ 50,214,607	$ 50,844,980

Note 18 Salaries and Benefits

	2004					2003	
	Number of Individuals(a)	Base Salary(b)	Other Cash Benefits (c)	Other Non-Cash Benefits (d)	Total	Number of Individuals(a)	Total
Chairman of the Board of Governors	1		$ 4,400	$ 40	$ 4,440	1	$ 4,120
Board members(e)	9		17,900	163	18,063	9	18,416
	10		22,300	203	22,503	10	22,536
President(f)	1.0	146,233	23,435	14,347	184,015	1.0	164,788
Vice President							
Corporate Services	1.0	123,235	-	13,372	136,607	1.0	130,889
Vice President							
Curriculum and Instruction	1.0	130,484	-	13,372	143,856	1.0	137,702
Vice President							
Student and Enrolment Mgt	0.4	37,952	463	6,775	45,190	-	-
Team Leader							
Ag. Trades & Tech	1.0	92,277	-	13,072	105,349	-	-
Team Leader							
Health & Justice	1.0	92,277	-	13,072	105,349	-	-
Team Leader							
Media and Computing	-	-	-	-	-	1.0	115,624
Director							
Physical Facilities	-	-	-	-	-	1.0	101,795
Directors/Managers (average: 2004 - $79,930, 2003 - $78,653)	39.1	2,676,896	30,103	418,265	3,125,264	41.0	3,224,756
Other salaried staff:							
Administration (average: 2004 - $55,358 2003 - $54,475)	19.9	926,845	8,693	166,081	1,101,619	21.7	1,182,112
Academic (average: 2004 - $73,737 2003 - $68,053)	190.5	12,062,210	96,722	1,887,892	14,046,824	210.3	14,311,619
Support (average: 2004 - $38,514 2003 - $37,500)	202.9	6,421,345	163,935	1,229,127	7,814,407	197.6	7,409,943
Non-salaried staff:(g)							
Administration	-	60,753	48,666	7,366	116,785	-	178,898
Academic	-	3,633,792	-	445,729	4,079,521	-	4,433,520
Support	-	1,473,021	38,614	250,920	1,762,555	-	1,943,750
	457.8	27,877,320	432,931	4,479,593	32,789,844	475.6	33,357,932
Other payroll adjustments:							
Severance payments(h)		137,931	-	1,543	139,474		600,814
Vacation accruals		(411)	-	(43,370)	(43,781)		51,857
Memberships and tuitions		-	-	(5,275)	(5,275)		(5,557)
Curriculum development costs in progress		(278)	-	-	(278)		-
Early Retirement Payments (h)		157,236	-	-	157,236		64,692
Addition on capital projects		(79,785)	-	(8,542)	(88,327)		(58,991)
		$ 28,092,013	$ 432,931	$ 4,423,949	$ 32,948,893		$ 34,010,747

Note 18 Salaries and Benefits (continued)

(a) Except for Board members, the number of individuals is expressed as full-time equivalents. The total actual discrete number of individual employees at June 30, 2004 was 2,035 (2003 – 2,110).

(b) Salary includes regular base pay, shift differential, sick-time payments and any other direct cash remuneration.

(c) Other cash benefits include bonuses, overtime, vacation payouts, lump sum payments and honoraria.

(d) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension plans, Employment Insurance, Workers' Compensation, health care, dental coverage, group life insurance, accidental disability and dismemberment, educational sabbaticals, vehicle allowances, professional memberships, club memberships and remission of tuition fees.

(e) Board members include one representative from each of the academic and support staff. This includes their stipends as Board members, while their salaries and benefits as full-time employees are included under other salaried staff.

(f) An executive compensation package includes an automobile provided to the President. The automobile is not included in the value of benefits disclosed on the schedule.

(g) Non-salaried staff comprises individuals who work less than 29 hours per week; benefits consist of contributions to Employment Insurance, Canada Pension Plan and Workers' Compensation. In addition, for continuing employees working more than 15 hours a week, benefits also include health care, dental coverage, group life insurance, accidental death and dismemberment and vacation payouts.

(h) Severance payments and early retirement payments include all monies paid, directly or on behalf of an employee, upon termination. During the year, the College identified 8 redundant positions which resulted in severance payments and 5 individuals received early retirement payments.

Note 19 Related Party Transactions

a) The College is a Provincial Corporation as all members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Alberta Learning. Transactions between the College and the Province are described in Notes 4, 8 and 14 to the consolidated financial statements.

b) The College accounts for funds of certain associations and clubs related to College activities through Funds Held on Behalf of Others (Note 20). Certain administrative services are provided without charge to these entities.

Note 19 Related Party Transactions (continued)

c) During the year, the College engaged the services of, and purchased goods from, organizations that are controlled or significantly influenced by members of its Board. Amounts of any such services were determined through fair and open competition in the normal course of operations. For the year ended June 30, 2004, the value of such services was $7,972 (2003 - $10,394).

d) During the year, the College engaged the services of, and purchased goods from, other Alberta post secondary education institutions. Amounts of any such services were determined through fair and open competition in the normal course of operations. For the year ended June 30, 2004, the value of such services purchased was $516,250 (2003 - $542,441) and the value of services provided was $103,558 (2003 - $61,182).

e) The College administers a program that permits advances to staff members for the specific purpose of acquiring and maintaining technological currency in computer hardware and software developments. Such advances are repaid over a maximum period of two years at the prescribed interest rate. The balance of advances outstanding as at June 30, 2004 was $57,731 (2003 - $39,562).

Note 20 Funds Held on Behalf of Others

Lethbridge Community College provides administrative services and administers funds on behalf of other organizations. These amounts are held in trust but are not included in the College's statement of financial position and are summarized as follows:

	2004	2003
Lethbridge Community College Students Association, clubs and activities	$ 668,263	$ 601,247
Chinook Educational Consortium	395,499	303,453
Associated agencies	79,775	113,721
Other agencies	29,391	55,810
Agricultural research projects	58,584	45,324
	$ 1,231,512	$ 1,119,555

Note 21 Commitments and Contingencies

a) The College leases facilities and equipment with lease terms up to four years. The minimum operating lease payments for each of the next four fiscal years are as follows:

2005	$ 295,103
2006	168,685
2007	23,130
2008	1,150

b) During the year, Lethbridge Community College continued with a major capital project, an administrative technology infrastructure upgrade. As at June 30, 2004, the College had commitments in relation to contracts for these projects as follows:

	Contract	Expended (Note 6)	Commitments
Consulting	$ 5,588,811	$ 2,523,097	$ 3,065,714
Datatel	3,446,891	1,514,375	1,932,516
Technology systems	2,472,404	903,352	1,569,052
Total capital projects	$ 11,508,106	$ 4,940,824	$ 6,567,282

Note 22 Budget

The 2004 budget was approved by the Board of Governors on May 20, 2003 and submitted to the Minister of Alberta Learning on May 26, 2003.

Note 23 Pledges

As at June 30, 2004, outstanding pledges comprise the following:

Endowments	$ 194,625
Comprehensive fundraising campaign	365,542
Total	$ 560,167

These amounts have not been recognized as revenue in the financial statements. The pledges are expected to be collected over the next six years as follows:

2005	$ 355,834
2006	80,363
2007	61,970
2008	61,000
2009	500
2010	500
Total	$ 560,167

Note 24 Comparative Figures

Certain 2003 figures have been reclassified to conform to 2004 presentation.

Note 25 Approval of Consolidated Financial Statements

These consolidated financial statements have been approved by the Board of Governors.

MEDICINE HAT COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of Medicine Hat College

I have audited the consolidated statement of financial position of the Medicine Hat College as at June 30, 2004 and the consolidated statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred Dunn FCA
Auditor General

Edmonton, Alberta
September 16, 2004

MEDICINE HAT COLLEGE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2004

	2004	2003
ASSETS		
Current:		
Cash and short-term investments (Note 3)	$ 3,913,277	$ 4,919,000
Accounts receivable	816,950	933,928
Inventories	366,471	280,821
Prepaid expenses	173,639	97,873
	5,270,337	6,231,622
Investments (Note 3)	7,629,886	7,575,326
Capital assets (Note 4)	40,867,953	36,961,530
	48,497,839	44,536,856
	$ 53,768,176	$ 50,768,478
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 1,207,185	$ 1,169,632
Accrued vacation pay	562,698	560,648
Unearned revenue (Note 5)	795,906	505,225
Deferred contributions (Note 6)	1,745,163	747,505
Current portion of long term debt (Note 7)	79,451	74,777
	4,390,403	3,057,787
Construction payables	1,042,209	273,491
Deferred capital contributions (Note 6)	146,045	2,954,797
Long term debt (Note 7)	3,775,393	3,854,845
Unamortized deferred capital contributions (Note 8)	28,101,695	25,744,303
	33,065,342	32,827,436
Net Assets:		
Unrestricted	763,250	2,498,612
Internally restricted (Note 9)	4,044,800	2,545,000
Invested in capital assets (Note 10)	8,911,414	7,287,605
	13,719,464	12,331,217
Endowments (Note 11)	2,592,967	2,552,038
	16,312,431	14,883,255
	$ 53,768,176	$ 50,768,478

The accompanying notes are part of these financial statements.

MEDICINE HAT COLLEGE

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2004

	2004		2003
	Budget (Note 20)	Actual	Actual
Revenue:			
Grants (Note 6)	$ 17,203,500	$ 18,189,331	$ 16,623,003
Tuition and related fees	9,303,700	8,610,506	8,668,962
Sales, rentals and services	3,471,300	3,351,433	3,109,591
Donations (Note 6)	216,400	124,488	208,171
Investment income (Note 14)	375,000	664,322	530,888
Amortization of deferred capital contributions	1,350,000	1,169,791	848,670
	31,919,900	32,109,871	29,989,285
Expense: (Note 15)			
Salaries and benefits (Note 18)	19,464,400	19,254,495	18,412,775
Supplies and services	7,213,400	6,788,193	6,056,687
Utilities	745,100	792,350	746,988
Scholarships and bursaries	280,000	269,002	361,746
Cost of goods sold	1,181,000	1,055,601	1,028,215
Interest on long term debt	246,000	244,833	249,279
Amortization of capital assets	2,600,000	2,317,150	1,915,878
	31,729,900	30,721,624	28,771,568
Excess of revenue over expense before undernoted item	$ 190,000	$ 1,388,247	$ 1,217,717
Gain on disposal of land	-	-	218,000
Excess of revenue over expense	$ 190,000	$ 1,388,247	$ 1,435,717

MEDICINE HAT COLLEGE

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2004

	2004					2003
	Unrestricted	Internally Restricted	Invested in Capital Assets	Endowments	Total	Total
		(Note 9)	(Note 10)	(Note 11)		
Excess of revenue over expense	$ 1,388,247	$ -	$ -	$ -	$ 1,388,247	$ 1,435,717
Transfers for:						
Acquisition of capital assets	(2,696,390)	-	2,696,390	-	-	-
Amortization of capital assets	1,147,359	-	(1,147,359)	-	-	-
Repayment of long term debt	(74,778)	-	74,778	-	-	-
Internal restrictions - net	(1,499,800)	1,499,800	-	-	-	-
Endowment contributions	-	-	-	40,929	40,929	59,983
Increase (decrease) in Net Assets	(1,735,362)	1,499,800	1,623,809	40,929	1,429,176	1,495,700
Net Assets, beginning of year	2,498,612	2,545,000	7,287,605	2,552,038	14,883,255	13,387,555
Net Assets, end of year	$ 763,250	$ 4,044,800	$ 8,911,414	$ 2,592,967	$16,312,431	$14,883,255

MEDICINE HAT COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

	2004		2003
	Budget	Actual	Actual
Operating activities:			
Excess of revenue over expense	$ 190,000	$ 1,388,247	$ 1,435,717
Non-cash transactions:			
Amortization of capital assets	2,600,000	2,317,150	1,915,878
Amortization of deferred capital contributions	(1,350,000)	(1,169,791)	(848,670)
Gain on disposal of land	-	-	(218,000)
	1,440,000	2,535,606	2,284,925
Net changes in non-cash working capital (Note 19)	75,000	1,283,504	(1,149,605)
Cash generated through operating activities	1,515,000	3,819,110	1,135,320
Investing activities:			
Acquisition of capital assets	(2,715,800)	(6,223,573)	(10,869,371)
Proceeds from the sale of capital assets	-	-	225,000
Redemption (purchase) of long-term investments	1,525,000	(54,560)	9,593,651
Cash used in investing activities	(1,190,800)	(6,278,133)	(1,050,720)
Financing activities:			
Capital contributions	-	718,431	2,106,997
Construction payables	(2,060,000)	768,718	(1,786,391)
Repayment of long term debt	(74,400)	(74,778)	(70,378)
Endowment contributions	200,000	40,929	59,983
Cash generated through financing activities	(1,934,400)	1,453,300	310,211
Increase (decrease) in cash and short-term investments	(1,610,200)	(1,005,723)	394,811
Cash and short-term investments, beginning of year	2,919,738	4,919,000	4,524,189
Cash and short-term investments, end of year	$ 1,309,538	$ 3,913,277	$ 4,919,000

MEDICINE HAT COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004

Note 1 Authority and Purpose

Medicine Hat College (the "College") operates under the authority of the Post-Secondary Learning Act, Statutes of Alberta 2003, Chapter P-19.5. The College is exempt from payment of Income Tax under section 149 of the Income Tax Act.

The College provides broadly based educational and training programs and services to students and local communities.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. The following accounting policies and reporting practices are considered significant.

(a) Consolidated Statements

These consolidated financial statements include the accounts of the Medicine Hat College Foundation, which operates under part 9 of the Companies Act of Alberta. The Foundation is a registered charity and is exempt from payment of income tax.

(b) Revenue Recognition

Unrestricted contributions are recognized in the period they are receivable.

Amounts received for tuition fees, and sale of goods and services are recognized as revenue at the time the goods are delivered or the services are provided.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by the contributor.

Note 2 **Summary of Significant Accounting Policies and Reporting Practices** (continued)

(b) Revenue Recognition (continued)

Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are taken into income, as amortization of deferred capital contributions, in the periods that the related funded capital asset is amortized.

Externally restricted contributions containing stipulations that the amounts should be retained as net assets, or that the contributions should not be expended, are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

Contributions of materials and services that would otherwise have been purchased are recorded at fair market value when a fair market value can be reasonably determined.

Revenue from long-term education contracts is determined on the percentage of completion method. Provisions are made for all anticipated losses as soon as they become evident.

(c) Net Assets Internally Restricted

Net assets internally restricted represent amounts set aside by the College Board of Governors to be used for designated purposes.

(d) Investments

Investments are recorded at cost or amortized cost. Gains and losses on investments are recognized when securities are liquidated, or when there is an other than temporary decline in the value of an investment. Amortization of discount or premium is on a straight-line basis over the life of the investment.

(e) Inventories

Inventories held for resale are valued at the lower of cost or net realizable value, with cost determined on a first-in-first-out basis.

(f) Capital Assets

Land transferred to the College from the City of Medicine Hat, and donated land, are recorded at fair market value at the date of transfer.

(f) Capital Assets (continued)

Buildings and renovations are recorded at June 30, 1989 amortized replacement cost as determined by an independent appraisal, with subsequent additions at cost.

Site improvements are recorded at January 1, 1983 replacement cost as determined by an independent appraisal, with subsequent additions at cost.

Furnishings and equipment are recorded at cost except for items acquired prior to July 1, 1984, which are recorded at estimated cost as determined by the College. Donated assets are recorded at fair market value at the time of donation.

Library acquisitions are recorded at cost and are comprised of books, audiovisual software and periodicals.

Construction in progress includes direct construction, architectural and engineering costs. Construction in progress is not amortized until construction is completed and the assets are ready for productive use.

Amortization is recorded on a straight-line basis over the assets' useful lives, which are as follows:

Buildings and renovations	40 years
Site improvements	25 years
Furniture and equipment	5 to 25 years
Library acquisitions	10 years
Systems planning and development	10 years

(g) Future Employee Benefits

The College participates in the Local Authorities Pension Plan (LAPP). This pension plan is a multi-employer defined benefit plan that provides pensions for the College's participating employees, based upon years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the LAPP pension plan. The College does not record the College's portion of the pension plan's deficit or surplus.

Note 2 **Summary of Significant Accounting Policies and Reporting Practices** (continued)

(h) Financial Instruments

The College's financial instruments consist of cash and short-term investments, accounts receivable, investments, accounts payable and accrued liabilities, accrued vacation pay, construction payables, and long-term debt.

The College is exposed to currency risk (the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates); interest rate risk (the risk that the value of a financial instrument will fluctuate due to changes in market interest rates); and market risk (the risk that the value of a financial instrument will fluctuate as a result of changes in market prices).

It is management's opinion that the College is not exposed to significant currency, interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

Note 3 Cash and Investments

	2004				2003	
	Cash and Short-term Investments	Long-term Investment	Total Cost	Market Value	Total Cost	Market Value
Cash on hand	$ 8,041	$ -	$ 8,041	$ 8,041	$ 7,600	$ 7,600
Bank balances	905,236	147,174	1,052,410	1,052,410	799,088	799,088
Term deposits	3,000,000	-	3,000,000	3,000,000	4,600,000	4,600,000
Bonds	-	6,218,956	6,218,956	6,482,019	5,829,016	6,276,946
Canadian equities	-	858,250	858,250	1,151,326	901,237	1,045,577
Foreign equities	-	405,506	405,506	448,270	357,385	361,829
	$ 3,913,277	$ 7,629,886	$ 11,543,163	$ 12,142,066	$ 12,494,326	$ 13,091,040

The Board of Governors has an approved investment policy. The investment objectives are the preservation of capital, stability and predictability of returns, and the maximization of return on investment. The approved policy restricts the type and amount of investments that may be purchased or held.

Note 3 **Cash and Investments** (continued)

Funds determined to be short-term in nature are invested by College management. These investments must be issued by or fully secured by a Chartered Bank of Canada, the Treasury Branch of Alberta, an Alberta Credit Union backed by the Province of Alberta, the Federal Government, or any provincial government of Canada.

Securities acquired by management are further limited to cash equivalent securities rated "R1" or "A1" or higher, and fixed income securities "A (low)" or higher by Standard & Poor's or the Dominion Bond Rating Service.

Funds determined to be long-term in nature are invested by an external investment manager appointed by the Board of Governors. Limitations on cash equivalent securities are the same as those imposed on management as specified in the preceding paragraph. Corporate fixed income securities may not exceed 30% of the market value of funds being invested by the external manager, and any single corporate fixed income holding may not exceed 5% of the total value of corporate fixed income holdings. The external manager may also acquire equities when the market value of common stock exceeds $600,000,000 for a corporation. Equities may not exceed 20% of the market value of funds being invested by the external manager, and any single equity investment may not exceed 5% of the total value of all equity holdings.

The effective annual rate of interest for fixed income investments owned by the College at June 30 was 5.58% (2003 – 5.92%) determined on a weighted average basis. All non-cash investments except Canadian and foreign equities held at June 30, 2004 have fixed maturity dates. Securities classified as cash and short-term investments will mature in less than one year. Securities classified as investments have maturity dates ranging from 1 to 45 years (2003 – 1 to 46 years), and a weighted average maturity of 8.4 years (2003 – 9.2 years).

Note 4 Capital Assets

	2004			2003
	Cost & Appraised Value	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 1,553,000	$ -	$ 1,553,000	$ 1,553,000
Buildings and renovations	54,091,647	22,338,185	31,753,462	29,477,341
Site improvements	7,553,825	6,772,730	781,095	575,845
Furniture and equipment	11,934,672	7,713,381	4,221,291	3,866,617
Library acquisitions	3,927,235	3,033,222	894,013	869,034
Systems planning and development	321,294	158,607	162,687	195,226
Construction in progress	1,502,405	-	1,502,405	424,467
	$ 80,884,078	$ 40,016,125	$ 40,867,953	$ 36,961,530

Note 5 Unearned Revenue

	2004	2003
Tuition and related fees	$ 784,084	$ 499,575
Other	11,822	5,650
	$ 795,906	$ 505,225

Note 6 Deferred Contributions and Deferred Capital Contributions

Deferred contributions represent amounts received that have not been spent and are externally restricted. The balance will be recognized as revenue in future periods.

		2004		2003
Contributions received and receivable:				
Grants	$	4,268,902	$	2,344,070
Donations		177,941		805,966
Third Party contributions		134,367		-
Investment income on endowments (note 14)		132,090		234,392
		4,713,300		3,384,428
Transferred to revenue:				
Grants		(2,740,633)		(2,384,896)
Donations		(124,488)		(208,171)
Investment income (note 14)		(132,090)		(100,937)
		(2,997,211)		(2,694,004)
Transferred to:				
Unamortized deferred capital contributions (note 8)		(3,527,183)		(7,367,390)
(Decrease) during the year		(1,811,094)		(6,676,966)
Deferred Contributions and Deferred Capital Contributions, beginning of year		3,702,302		10,379,268
Deferred Contributions and Deferred Capital Contributions, end of year	$	1,891,208	$	3,702,302
The balance consists of funds restricted for:				
Deferred Contributions:				
Program delivery	$	1,015,782	$	404,521
Maintanence and repairs		375,000		-
Scholarships		313,838		314,472
Other designated purposes		40,543		28,512
		1,745,163		747,505
Deferred Capital Contributions:				
Infrastructure		146,045		2,954,797
Deferred Contributions and Deferred Capital Contributions, end of year	$	1,891,208	$	3,702,302

Note 7 Long Term Debt

Pursuant to a security agreement entered into with the Alberta Capital Finance Authority (formerly known as Alberta Municipal Financing Corporation) on May 1, 2002, the College borrowed $4,000,000. The funds were used to finance the construction of new student housing at both the Medicine Hat and Brooks campuses. The borrowing of these funds was approved through an "Order In Council" by the Lieutenant Governor on February 6, 2002.

The debenture bears interest at 6.25% per annum, it is to be repaid in twenty-five (25) consecutive annual installments of $320,378, principal and interest, commencing May 1, 2003 and maturing on May 1, 2027. The debenture is secured by a security interest in certain specific property.

	2004	2003
Debenture Payable		
Current Portion	$ 79,451	$ 74,777
Non-current Portion	3,775,393	3,854,845
	$ 3,854,844	$ 3,929,622

Principal payments due during the next five fiscal years are as follows:

2004 - 2005	$ 79,451
2005 - 2006	84,416
2006 - 2007	89,692
2007 - 2008	95,298
2008 - 2009	101,254
Thereafter	3,404,733
	$ 3,854,844

Note 8 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the external funding of capital assets, which will be recognized in revenue, as amortization of deferred capital contributions, in future periods as the related funded assets are amortized.

	2004	2003
Balance, beginning of year	$ 25,744,303	$ 19,225,583
Add amount transferred from deferred capital contributions (note 6)	3,527,183	7,367,390
Less amount amortized to revenue	(1,169,791)	(848,670)
Balance, end of year	$ 28,101,695	$ 25,744,303

Note 9 Net Assets Internally Restricted

Internally restricted net assets represent amounts set aside by the College Board of Governors to be used for the following purposes. These amounts are not available for other purposes without the approval of the Board.

	2004	2003
Operating:		
Working Capital	$ 1,000,000	$ 750,000
Capital:		
Campus Renewal & Expansion	1,504,800	895,000
Computers and Technology	500,000	300,000
Ancillary Services - Student Residence and related parking	550,000	500,000
Ancillary Services - Parking	490,000	100,000
	3,044,800	1,795,000
	$ 4,044,800	$ 2,545,000

Note 10 Net Assets Invested in Capital Assets

	2004	2003
Investment in capital assets	$ 40,867,953	$ 36,961,530
Outstanding capital financing	(3,854,844)	(3,929,622)
Unamortized deferred capital contributions	(28,101,695)	(25,744,303)
	$ 8,911,414	$ 7,287,605

Note 11 Endowments

Endowments consist of externally restricted donations to the College, the principal of which is required to be maintained intact in perpetuity. The investment income generated from the endowments must be used in accordance with the various purposes established by the donors.

Note 12 Ancillary Services

	2004			2003
	Revenue	Expense	Net	Net
Bookstore	$ 1,417,848	$ 1,268,102	$ 149,746	$ 206,819
Cafeteria	89,114	16,906	72,208	28,101
Student residence	1,023,414	1,043,096	(19,682)	29,237
Parking	153,343	41,857	111,486	108,106
	$ 2,683,719	$ 2,369,961	$ 313,758	$ 372,263

Expense includes direct costs only.

Note 13 Related Parties

All members of the Medicine Hat College Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning.

Transactions in the current period between the College and the Province were as follows:

	2004			2003
	Received and Receivable	Deferred Contributions and UDCC [1]	Revenue	Revenue
Grants from Related Parties				
Alberta Learning	$ 17,650,272	$ 704,640	$ 16,945,632	$ 15,516,413
Alberta Infrastructure	748,000	748,000	-	-
Other Alberta Government Departments	359,251	68,509	290,742	945,941
	18,757,523	1,521,149	17,236,374	16,462,354
Grants Other Sources	960,077	7,120	952,957	160,649
Total Grants	$ 19,717,600	$ 1,528,269	$ 18,189,331	$ 16,623,003

(1) UDCC refers to Unamortized Deferred Capital Contributions.

As at June 30, 2004, the accounts receivable balance included an amount of $256,362 (2003 - $235,405) due from related parties. Also, as at June 30, 2004, the accounts payable balance included an amount of $40,600 (2003 - $ Nil) due to related parties.

During the year, the College conducted business transactions with other public colleges and universities. The revenues and expenses incurred for these courses have been included in the consolidated statement of operations, but have not been separately quantified. These transactions were entered into on the same business terms as with non-related parties and are recorded at fair value.

Note 14 Investment Income

	2004	2003
Investment income on endowments	$ 132,090	$ 100,937
Other restricted investment income	-	133,455
Investment income on other sources	532,232	429,951
	664,322	664,343
Less - investment income deferred	-	133,455
Total investment income recognized as revenue	$ 664,322	$ 530,888

Note 15 Expense by Function

	2004	2003
Instruction	$ 14,691,032	$ 14,012,132
Academic support	2,304,939	2,013,405
Student services	2,690,594	2,765,774
Institutional support	2,339,414	2,449,961
Facility operations & maintenance	5,369,527	4,299,525
Ancillary services	2,369,961	2,199,054
Computing services	956,157	1,031,717
	$ 30,721,624	$ 28,771,568

Instruction encompasses all formal educational and instructional program elements. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audiovisual services. Student services include all activities or services to the student body of the institution. Institutional support includes all activities that provide institution wide support to other programs.

Note 16 Pension Costs

The College participates in a multiemployer pension plan – Local Authorities Pension Plan (LAPP). The College's expense for this plan was $782,323 for the year ended June 30, 2004 (2003 - $646,400).

At December 31, 2003, the LAPP reported a deficiency of $1,410,987,000 (2002 – deficiency of $444,980,000). Effective January 1, 2003, the employers' contribution rates were increased by 0.5%. The rates were increased further on January 1, 2004 by 1.077%

Note 17 Funds Held on Behalf of Others

The College holds certain funds on behalf of others over which the Board has no power of appropriation. Accordingly, these funds are not included in the consolidated financial statements. At June 30, the respective funds held on behalf of others were as follows:

	2004	2003
Further Education Council	$ 52,429	$ 76,571
Students' Association	230,934	218,164
Faculty Association	6,713	7,656
Conservatory Groups	31,590	37,598
Homestay fees from international students	144,000	-
	$ 465,666	$ 339,989

Note 18 Salaries and Benefits

The Treasury Board's Salary and Benefits Disclosure Directive requires the College to disclose certain salaries and benefits. Those salaries and benefits are as follows:

	2004				2003
	Base Salary [1]	Other Cash Benefits [2]	Other Non-cash Benefits [3]	Total	Total
Chairman of Board	$ -	$ 5,100	$ 225	$ 5,325	$ 2,672
Board (10 members)	-	17,100	506	17,606	21,269
President	152,000	-	21,767	173,767	164,948
Vice-President Academic	111,359	-	14,599	125,958	119,799
Dean, Arts	88,331	-	15,617	103,948	98,890
Dean, Science	88,331	-	13,310	101,641	98,890
Dean, Student Services	88,331	-	13,310	101,641	98,264

(1) Base Salary includes pensionable base pay.

(2) Other Cash Benefits include bonuses, overtime, lump sum payments and honoraria where applicable.

(3) Other Non-cash Benefits include the employer's share of all other employee benefits and contributions or payments made on behalf of employees including pension, health care, dental, group life insurance, employment insurance, vacation payouts, remission of tuition fees and car allowances.

Note 19 Changes in Non-Cash Working Capital

	2004	2003
Accounts receivable	$ 116,978	$ (103,893)
Inventories	(85,650)	(13,166)
Prepaid expenses	(75,766)	(9,057)
Accounts payable and accrued liabilities	37,553	422,168
Accrued vacation pay	2,050	66,591
Unearned revenue	290,681	(95,675)
Deferred contributions	997,658	(1,416,573)
	$ 1,283,504	$ (1,149,605)

Note 20 Budget

The original budget was approved by the College's Board of Governors at their regular meeting on March 18, 2003.

Note 21 Commitment – Campus Expansion Projects

During the 2004 fiscal year the college completed Phase One and started Phase Two of the centre core renovations including the new front entrance.

In relation to the above projects, as at June 30, 2004, the College had contractual commitments of $2,247,000 (2003 - $ 2,401,000). This amount has not been recorded in the financial statements.

Note 22 Comparative Figures

Certain June 30, 2003 figures have been reclassified to conform to the current year presentation.

Note 23 Approval of Financial Statements

These financial statements were approved by the Board of Governors.

MOUNT ROYAL COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of Mount Royal College

I have audited the consolidated statement of financial position of Mount Royal College as at June 30, 2004 and the consolidated statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
September 27, 2004

MOUNT ROYAL COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2004

	2004	2003 (restated Note 20)
ASSETS		
Current:		
Cash and short-term investments (Note 3)	$ 16,652,247	$ 29,905,677
Accounts receivable	5,876,132	5,390,177
Inventories (Note 4)	867,720	847,519
Prepaid expenses	1,036,705	626,526
	24,432,804	36,769,899
Investments (Note 3)	45,051,746	45,519,926
Capital assets (Note 5)	180,877,292	177,442,916
	$ 250,361,842	$ 259,732,741
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 6,230,588	$ 6,881,463
Deferred revenues	3,764,501	3,197,666
Accrued vacation pay	4,007,281	4,704,480
Deferred contributions (Note 6)	7,834,963	6,134,970
Current portion of long-term liabilities (Note 8)	848,046	927,898
Employee leave and retirement allowances	225,285	77,817
	22,910,664	21,924,294
Construction payables	294,804	7,827,373
Unamortized deferred capital contributions (Note 9)	133,083,304	132,038,850
Long-term deferred contributions (Note 6)	4,562,954	4,710,281
Deferred capital contributions (Note 7)	13,153,634	20,208,210
Long-term liabilities (Note 8)	31,937,766	32,738,760
Long-term employee leave and retirement allowances	1,338,677	989,811
	207,281,803	220,437,579
Net assets:		
Unrestricted	2,313,699	1,911,922
Internally restricted (Note 11)	8,457,161	9,570,459
Investment in capital assets	15,087,314	13,534,682
Endowments (Note 10)	17,221,865	14,278,099
	43,080,039	39,295,162
	$ 250,361,842	$ 259,732,741

The accompanying notes are part of these financial statements.

MOUNT ROYAL COLLEGE
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2004

	2004	2003 (restated Note 20)
Revenue:		
Grants	$ 49,996,164	$ 48,994,135
Tuition and related fees	29,259,320	26,497,876
Community programs	15,792,159	16,453,902
Sales, rentals and services	15,517,721	13,172,464
Investment income (Note 12)	2,600,258	1,560,581
Donations and contributions	1,303,351	1,008,037
Earned capital contributions (Note 9)	7,858,102	6,353,121
	122,327,075	114,040,116
Expense (Note 15):		
Salaries and benefits (Note 16)	77,022,314	72,740,380
Supplies and services	21,995,687	20,655,954
Cost of goods sold	5,086,399	5,112,107
Utilities	5,211,868	4,978,823
Scholarships and bursaries	708,696	643,237
Amortization and loss on disposal of capital assets	11,461,000	8,877,689
Loss on write-down of investments	-	387,595
	121,485,964	113,395,785
Excess of revenue over expense	$ 841,111	$ 644,331

The accompanying notes are part of these financial statements.

MOUNT ROYAL COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004

	2004						2003
							(restated, Note 20)
	Unrestricted Net Assets	Internally Restricted Net Assets (Note 11)	Investment in Capital Assets	Total Net Assets	Endowments	Total	Total
Excess of revenue over expense	$ 841,111	$ -	$ -	$ 841,111	$ -	$ 841,111	$ 644,331
Transfer to internally restricted	(811,252)	811,252	-	-	-	-	-
Internally funded:							
Acquisition of capital assets	(2,283,452)	(1,924,550)	4,208,002	-	-	-	-
Payments on debt	(947,528)	-	947,528	-	-	-	-
Amortization and loss on disposal of capital assets	3,602,898	-	(3,602,898)	-	-	-	-
Contributions to endowments	-	-	-	-	2,943,766	2,943,766	2,797,516
Acquisition of land	-	-	-	-	-	-	249,565
Increase (decrease) in net assets	401,777	(1,113,298)	1,552,632	841,111	2,943,766	3,784,877	3,691,412
Balance, beginning of year	1,911,922	9,570,459	13,534,682	25,017,063	14,278,099	39,295,162	35,603,750
Balance, end of year	$ 2,313,699	$ 8,457,161	$ 15,087,314	$ 25,858,174	$ 17,221,865	$ 43,080,039	$ 39,295,162

The accompanying notes are part of these financial statements.

MOUNT ROYAL COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

	2004	2003 (restated, Note 20)
Operating Activities:		
Excess of revenue over expense	$ 841,111	$ 644,331
Non-cash transactions:		
Amortization and loss on disposal of capital assets	11,461,000	8,877,689
Earned capital contributions (Note 9)	(7,858,102)	(6,353,121)
Loss on write-down of investments	-	387,595
	4,444,009	3,556,494
Net change in non-cash working capital (Note 14)	149,887	(5,404,530)
Cash generated from (used in) operating activities	4,593,896	(1,848,036)
Investing Activities:		
Acquisition of capital assets:		
From internal funds	(4,208,002)	(3,799,211)
From long-term liabilities	(1,784,819)	(30,711,488)
From capital contributions	(8,902,556)	(32,227,530)
Proceeds from disposal of capital assets	-	15,000
Disposal of investments, net	468,180	25,355,117
(Decrease) increase in long-term deferred contributions	(147,327)	133,694
Cash used for investing activities	(14,574,524)	(41,234,418)
Financing activities:		
Decrease in construction payables	(7,532,569)	(681,171)
Increase in long-term employee leave and retirement allowances	348,866	190,417
Proceeds from long-term liabilities	66,683	33,274,097
Repayments of long-term liabilities	(947,528)	(331,050)
Contributions to endowments	2,943,766	2,797,516
Capital contributions	1,847,979	2,710,045
Cash (used in) generated from financing activities	(3,272,803)	37,959,854
Decrease in cash and short-term investments	(13,253,431)	(5,122,600)
Cash and short-term investments, beginning of year	29,905,678	35,028,278
Cash and short term investments, end of year	$ 16,652,247	$ 29,905,678

The accompanying notes are part of these financial statements.

MOUNT ROYAL COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004

Note 1 Authority

Mount Royal College (the "College") operates under the authority of the Post-Secondary Learning Act, Statutes of Alberta 2003, Chapter P-19.5. The College's mission is to foster the success and satisfaction of students in the pursuit of their educational goals. The College is a registered charity under Section 149 of the Income Tax Act and is exempt from payment of income tax.

Note 2 Significant Accounting Policies and Reporting Practices

(a) General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. The following accounting policies and reporting practices are considered significant.

(b) Consolidated Statements

The financial statements are prepared on a consolidated basis and include the amounts of the following entities:

(i) The Mount Royal College Foundation incorporated under part 9 of the Companies Act of Alberta on March 26, 1991

(ii) The Mount Royal College Day Care Society incorporated under the Societies Act of Alberta

(c) Revenue Recognition

Operating grants, including those from the Province of Alberta, are recognized as revenue in the period receivable. If a portion of a grant relates to a future period, that portion is deferred and recognized in the subsequent period.

Capital grants, including those from the Province of Alberta, are recorded as deferred contributions until they are invested in capital assets. Amounts invested, representing funded capital assets and contributions of property, are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as earned capital contributions revenue in the period when the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and the deferred/earned capital contributions revenue are matched to indicate that the related amortization expense has been funded externally.

Unrestricted cash donations are recognized as revenue in the period received/receivable. Donations of goods and services, which would otherwise have been purchased by the College, are recorded at fair value when a fair value can be reasonably determined.

Externally restricted non-capital contributions are deferred and then recognized as revenue in the period when the related expense or performance is incurred. Externally restricted contributions can only be used for the designated purposes. Externally restricted contributions containing stipulations that they should be retained as net assets or that they should not be expended are recorded as a direct increase in net assets. Such contributions include contributions made for endowment purposes or those to be used to acquire non-amortizable property.

Tuition fees and sales of goods and services are deferred and then recognized as revenue in the period when the services are provided or the goods are sold. Revenue from contracts is recognized using the percentage of completion method and is recognized within community programs revenue.

(d) Inventories

Inventory values are based upon the first in first out method and presented at the lower of cost or net realizable value.

(e) Short-term Investments

Short-term investments are recorded at the lower of cost and market value.

(f) Investments

Investments are recorded at cost. Gains and losses on investments are recognized when an investment is sold or when there is an other than temporary decline in the value of an investment.

(g) Financial Instruments

The carrying value of cash, receivables, payables, deferred revenues and accruals approximate their fair value due to the relatively short periods to maturity of the instruments. The fair value of investments is market value. The market value of publicly traded investments is based on quoted market prices.

The carrying value of financial assets and financial liabilities are considered to be fair value unless otherwise disclosed.

Financial instruments of the College are exposed to credit risk, interest rate risk, foreign exchange risk and market risks. The College's accounts receivable are due from a diverse group of customers and are subject to normal credit risk. The interest rate risk is the risk to the College's earnings that arises from the fluctuations in interest rates and the degree of volatility of these rates. The foreign exchange risk is the risk of rising costs related to purchase transactions in United States currency. The market risk is the risk to the College's earnings that arises from the fluctuation and the degree of volatility in the market value of its long-term investments. Each of these risks is limited by the College through its collection procedures, investment policy, and other internal policies and procedures.

(h) Capital Assets

Capital assets are recorded at cost. Donated assets are recorded at fair value. Capital assets under construction are not amortized until construction is completed and the assets are ready for productive use.

Capital assets are amortized on a straight-line basis as follows:

Site improvements	20 - 40 years
Buildings	25 - 40 years
Leasehold improvements	5 - 15 years
Furnishings and equipment	3 - 10 years
Computer equipment	3 - 5 years

Library acquisitions are amortized on a declining balance basis at a rate of 10%.

Construction in progress includes direct construction costs, architectural costs, and engineering costs and interest on related debt. Interest costs are capitalized until the asset is substantially complete.

(i) Employee Future Benefits

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's deficit or surplus is not recorded by the College.

Note 3 Cash and Investments

	2004		2003	
	Cost	Market	Cost (restated Note 20)	Market
Cash and cash equivalents	$ 16,427,360	$ 16,428,121	$ 16,955,635	$ 16,959,296
Capital Investment Annuities	224,887	224,887	16,531,833	16,531,833
Federal, Provincial and Municipal Bonds	12,406,104	12,886,320	13,574,030	14,427,490
Corporate Bonds	7,881,958	8,095,653	6,198,592	6,600,580
Equities - Canadian	13,596,605	18,850,313	12,973,208	15,496,978
Equities - International	11,167,079	11,388,568	9,192,305	7,806,499
	61,703,993	$ 67,873,862	75,425,603	$ 77,822,676
Held as long-term investments	45,051,746		45,519,926	
Held as cash and short-term investments	$ 16,652,247		$ 29,905,677	

The College's investment policy is to hold all bonds until their maturities. Within the investment portfolio, there are individual equities that are recorded in excess of their market value. The carrying value of these equities has not been written down to market value because management has concluded, based on a review of market information, that there is no obvious indication of a material decline that is other than temporary.

The amount held as long-term investments represents funds not available for current operations and includes endowments, deferred contributions externally restricted for capital or specific purposes, and net assets internally restricted for capital purposes, as outlined below. The long-term portion at any time will equal or exceed the restricted obligations. For the 2004, fiscal year long-term investments exceeded the restricted obligation, as such, there was no restriction on cash and short-term investments.

	2004	2003 (restated Note 20)
Endowments (Note 10)	$ 17,221,865	$ 14,278,099
Long-term deferred contributions (Note 6)	4,562,954	4,710,281
Deferred capital contributions (Note 7)	13,153,634	20,208,210
Internally restricted net assets, capital (Note 11)	5,463,825	6,323,336
Total Restricted Long-Term	40,402,278	45,519,926
Unrestricted Long-Term	4,649,468	-
Total Long-Term Cash & Investments	$ 45,051,746	$ 45,519,926

Note 3 Cash and Investments (continued)

The overall rate of return on cash and investments for the year was 5.4% (2003: 2.0%). The cash and cash equivalents and bond funds maturities and effective yields are as follows:

	2004								2003	
	Less than 1 year	Effective Yield	1 to 5 Years	Effective Yield	Over 5 Years	Effective Yield	Total	Effective Yield	Total	Effective Yield
Cash and cash equivalents	$ 16,427,360	2.37%	$ -		$ -		$ 16,427,360	2.37%	$ 16,955,635	3.29%
Capital investment Annuity	-								11,227,207	2.77%
Capital investment Annuity	224,887	4.54%	-		-		224,887	4.54%	5,304,626	4.54%
Federal, Provincial and Municipal Bonds			4,351,382	5.78%	8,054,722	5.13%	12,406,104	5.27%	13,574,030	5.54%
Corporate Bonds			3,224,013	5.47%	4,657,945	6.32%	7,881,958	6.13%	6,198,592	6.04%
	$ 16,652,247		$ 7,575,395		$ 12,712,667		$ 36,940,309		$ 53,260,090	

The College Board of Governors (the "Board") has approved an investment policy. The primary investment objectives are the preservation of capital and the generation of a competitive total return.

The Board provides guidelines on asset mix, diversification, quality and nature of securities, and terms of fixed income. The current guidelines are as follows:

(a) Asset Mix

Cash equivalents	From 0% to 15% of total portfolio
Fixed income	From 30% to 70% of total portfolio
Equities	From 20% to 60% of total portfolio

At June 30, 2004, the College held one capital investment annuity of $224,887. This investment provides for guaranteed return of 4.54% over a three year term and provides guaranteed cash flow based upon preset repayment terms. This investment was approved by the Board of Governors as a secure investment vehicle to support the cash flow requirements of the College's campus expansion projects.

To measure investment performance and identify the return attributed to the asset mix and asset selection decisions, the College has established a portfolio benchmark of 5% cash equivalents, 50% fixed income, and 45% equities. Further, it measures cash equivalent returns against the return from 90 day treasury bills, fixed income returns against the return for the Scotia Capital Universe Bond Index, and equity returns against the return for the TSX 300 Index.

Note 3 Cash and Investments (continued)

(b) Diversification – No more than 10% of the total portfolio may be invested in any one money market issuer other than investments guaranteed by the Government of Canada or the Province of Alberta. No more than 10% of the portfolio may be invested in any one government bond issue other than the Government of Canada or the Province of Alberta. A maximum of 5% of the portfolio may be invested in any one corporate bond issue. A maximum of 5% of the equity component may be invested in any one equity issue.

(c) Quality and Nature of Securities – All money market securities are rated "R1" or "A1" or higher by the Standard and Poors Bond Rating Service or the Dominion Bond Rating Service. All corporate bonds are rated "BBB mid" or higher at the time of purchase. Provincial bonds are rated "BBB mid" or higher by a recognized bond rating service.

(d) Terms of the Fixed Income Portfolio – The portfolio is "laddered" with bonds having an average term to maturity that is within plus or minus 50% of the average term of the Scotia Capital Universe Bond Index.

Note 4 Inventories

	2004	2003
Bookstore	$ 785,077	$ 804,435
Recreation	19,546	6,972
Printing	44,656	23,621
Smart Card	15,633	9,877
Food services	2,808	2,614
	$ 867,720	$ 847,519

Note 5 Capital Assets

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value (restated note 20)
Land	$ 6,832,913	$ -	$ 6,832,913	$ 6,814,913
Site Improvements	13,945,862	985,031	12,960,831	9,955,089
Buildings	189,323,744	47,333,025	141,990,719	95,198,351
Furnishings and equipment	47,773,986	30,939,048	16,834,938	14,946,863
Library acquisitions	3,331,962	1,500,074	1,831,888	1,672,509
Leasehold improvements	285,830	283,736	2,094	2,443
Construction in progress	423,909	-	423,909	48,852,748
	$ 261,918,206	$ 81,040,914	$180,877,292	$177,442,916

Note 5 Capital Assets (continued)

The net book value of capital assets written off during the year was $0 (2003: $26,153). Loss on disposal of capital assets in the year was $66,272 (2003: $55,070).

Capital assets include assets under capital lease with a cost of $1,720,639 and accumulated amortization of $1,201,562 (2003: $1,653,957 and $1,176,136 respectively).

Capital asset additions include donated assets recorded as gifts in kind of $269,506 (2003: $111,971).

Note 6 Deferred Contributions

Deferred contributions are restricted contributions, which have been received but relate to expenses of future periods.

	2004	2003 (restated Note 20)
Contributions received during the year:		
Grants	$ 4,162,343	$ 632,376
Net donations, other contributions and investment income	4,342,008	1,484,129
Transferred from deferred capital contributions (Note 7)	421,786	-
Transferred to revenue:		
Grants	(3,662,062)	(5,763,055)
Investment income (Note 12)	(279,505)	(103,061)
Donations and contributions	(1,275,014)	(983,670)
Transferred to unamortized deferred capital contributions (Note 9)	(2,156,890)	(1,626,516)
Increase (decrease) during the year	1,552,666	(6,359,797)
Balance, beginning of year	10,845,251	17,205,048
Balance, end of year	$ 12,397,917	$ 10,845,251

Unspent amounts at the end of the year are restricted for the following purposes:

	2004	2003
Current:		
Program support and scholarships	$ 3,757,235	$ 2,947,857
Conditionally funded programs	738,647	376,704
Maintenance and repairs	3,339,081	2,810,409
	7,834,963	6,134,970
Long-term:		
Special purpose program funding	4,562,954	4,710,281
	$ 12,397,917	$ 10,845,251

Note 7 Deferred Capital Contributions

	2004	2003 (restated Note 20)
Contributions received during the year:		
Restricted investment income (Note 12)	$ 94,876	$ 1,173,560
Donations and other contributions	18,000	-
	112,876	1,173,560
Transferred to deferred contributions (Note 6)	(421,786)	-
Transferred to investment in capital assets -land acquisition	-	(249,565)
Transferred to unamortized deferred capital contributions (Note 9)	(6,745,666)	(30,351,448)
Decrease during the year	(7,054,576)	(29,427,453)
Balance, beginning of the year	20,208,210	49,635,663
Balance, end of year	$ 13,153,634	$ 20,208,210

The balance at the end of year is restricted for the following purposes:

Campus expansion	$ 13,153,634	$ 20,208,210

Note 8 Long-term Liabilities

	2004	2003
Construction financing for student residence (a)	$ 32,507,236	$ 33,100,000
Capital lease obligations (b)	278,576	566,658
	32,785,812	33,666,658
Less: current portion	848,046	927,898
	$ 31,937,766	$ 32,738,760

Note 8 Long-term Liabilities (continued)

The minimum annual payments for each of the five succeeding fiscal years are as follows:

Residence Debenture (a)	
2005	$ 629,071
2006	667,601
2007	708,492
2008	751,887
2009	797,940
	$ 3,554,991
Capital Leases (b)	
2005	$ 218,975
2006	37,433
2007	13,965
2008	8,203
Total minimum lease payments	$ 278,576

(a) Pursuant to a loan agreement entered into on August 14, 2002 with Alberta Capital Finance Authority, the College borrowed the sum of $33.1 million to finance the construction of a new student residence. The loan bears interest at 6.125% per annum and matures August 15, 2027. Security pledged for the loan includes all future cash flows generated through the operation of the new student residence. During the year debenture interest of $182,841 (2003: $1,241,534) has been included in construction in progress.

(b) The imputed interest rate payable on these leases averages 11.8% (2003: 11.3%). During the year, interest expense of $63,759 (2003: $74,105) has been included in supplies and services expense.

Note 9 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions are the funded portion of capital assets that will be recognized as revenue in future periods.

	2004	2003 (restated Note 20)
Transferred from deferred contributions (Note 6)	$ 2,156,890	$ 1,626,516
Transferred from deferred capital contributions (Note 7)	6,745,666	30,351,448
Earned and transferred to revenue	(7,858,102)	(6,353,121)
Increase during the year	1,044,454	25,624,843
Balance, beginning of year	132,038,850	106,414,007
Balance, end of year	$ 133,083,304	$ 132,038,850

Note 10 Endowments

	2004	2003
External endowments	$ 17,022,723	$ 14,078,957
Internal endowments	199,142	199,142
	$ 17,221,865	$ 14,278,099

Endowments consist of restricted donations to the College as well as internal allocations by the Board, the principal of which is required to be maintained intact in perpetuity. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board.

Note 11 Internally Restricted Net Assets

The Board has committed operating net assets as follows:

	2004	2003 (restated Note 20)
Operations:		
Academic program development	$ 826,519	$ 893,547
Campus and information systems development	268,787	234,252
College effectiveness	59,853	59,853
Community needs	29,066	33,819
Early retirement	-	65,123
Professional development	226,373	160,365
Scholarships and bursaries	415,968	361,392
Research and special projects	999,935	1,271,937
Student success/satisfaction	166,835	166,835
	2,993,336	3,247,123
Capital:		
Capital renewal	351,126	871,537
Instructional Equipment	246,842	286,091
Residence	2,600,272	3,719,410
Parking	2,265,585	1,446,298
	5,463,825	6,323,336
Total	$ 8,457,161	$ 9,570,459

Note 12 Investment Income

	2004	2003 (restated Note 20)
Net investment income from restricted balances	$ 94,876	$ 1,179,415
Net investment income from endowments	813,370	293,397
	908,246	1,472,812
Transfer to deferred capital contributions (Note 7)	(94,876)	(1,173,560)
Net transferred to deferred contributions	(533,865)	(196,191)
Net Investment income from restricted sources (Note 6)	279,505	103,061
Investment income from unrestricted sources	2,320,753	1,457,520
Investment income	$ 2,600,258	$ 1,560,581

Note 13 Employee Future Benefits

The pension expense recorded in these financial statements is equivalent to the College's annual contributions payable of $3,044,621 for the year ended June 30, 2004 (2003: $2,450,706).

At December 31, 2003, the Local Authorities Pension Plan reported a deficiency of $1,410,987,000 compared to a deficiency of $444,980,000 at December 31, 2002.

The College has supplementary pension plans for its Senior Executives, excluding the President. These plans were approved by the Minister of Learning on March 18, 2004. An expense of $92,042 (2003: $72,072) has been included in salaries and benefits relating to these plans.

Note 14 Net Changes in Non-Cash Working Capital

	2004	2003
Current:		
Increase in accounts receivable	$ (485,955)	$ (2,313,199)
Increase in inventories	(20,201)	(140,063)
(Increase) decrease in prepaid expenses	(410,179)	14,176
(Decrease) increase in accounts payable and accrued liabilities	(650,875)	2,848,059
Increase in deferred revenues	566,835	83,245
(Decrease) increase in accrued vacation pay	(697,199)	644,182
Increase (decrease) in deferred contributions	1,699,993	(6,493,491)
Decrease (increase) in employee leave and retirement allowances	147,468	(47,439)
	$ 149,887	$ (5,404,530)

Note 15 Expenses by Function

	2004	2003 (restated Note 20)
Instruction	$ 50,229,686	$ 47,901,406
Academic support	8,163,742	7,886,102
Student services	10,066,052	9,760,380
Institutional support	10,737,894	10,113,660
Facility operations and maintenance	14,437,186	14,885,062
Ancillary services	10,925,171	7,794,694
Computing Services	5,465,233	5,789,197
Amortization and loss on disposal of capital assets	11,461,000	8,877,689
Loss on write-down of investments	-	387,595
	$ 121,485,964	$ 113,395,785

Note 16 Salaries and Benefits

This note complies with the requirements of the Alberta Provincial Treasury Board Salary and Benefits Disclosure Directive dated December 16, 1998 (as amended July 6, 2004) as applied to the College. The information is generally comparable from year to year. However, due to the specifics of the requirements and the particulars of the College's organization, the information may not be comparable to that of another organization.

	2004				2003
	Base Salary [1]	Cash Benefits [2]	Non-Cash Benefits [3]	Total	Total
Board Chair	$ -	$ 5,760	$ 43	$ 5,803	$ 5,799
Board Members	-	15,719	954	16,673	18,129
President [4]	207,760	-	48,065	255,825	341,729
Vice Presidents					
Academic	170,000	50,000	62,181	282,181	184,775
Administrative Services [5]	148,596	-	35,737	184,333	127,550
Student Affairs and Campus Life	131,000	50,000	33,492	214,492	160,644
External Relations	130,000	50,000	33,633	213,633	144,149

Note 16 Salaries and Benefits (continued)

(1) Base salary includes pensionable base salary.
(2) Other cash benefits include bonuses, lump sum payments and honoraria.
(3) Employers share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, extended health care, dental care, long-term disability, and group life insurance. Other non-cash benefits figure also includes the employer's share of the cost of additional benefits including other special leaves with pay, supplementary retirement plans, car allowances, and club memberships.
(4) The value reported for the President includes amounts paid to two separate individuals. The former President retired on August 31, 2003 and was replaced by the new President on September 1, 2003.
(5) The value reported for the Vice-President Administrative Services includes amounts paid to two separate individuals. The new Vice-President Administrative Services commenced employment on August 25, 2003 and prior to that date the position had been filled by an Acting Vice-President Administrative Services.

Note 17 Related Party Transactions

The College is a Provincial Corporation as all the members of the Board are appointed either by statute or by a combination of orders by the Lieutenant Governor in Council and the Minister of Alberta Learning. Transactions between the College and the Province are disclosed as follows:

	2004		2003	
	Received and Receivable	Deferred Contributions or Unamortized Deferred Capital Contributions	Received and Receivable	Deferred Contributions or Unamortized Deferred Capital Contributions
Operating grant	$ 42,495,573	$ -	$ 37,261,324	$ -
ACCESS funding - programs	4,986,535	23,746	5,814,528	7,808
ACCESS funding - one-time	433,000	-	-	-
Infrastructure renewal envelope	1,820,000	-	-	-
Calgary Conjoint Nursing Program	88,965	-	370,083	-
Inmate Education Program	212,505	-	211,007	-
Literacy - Peer Learning Program	21,733	-	20,975	15,825
Alternative Delivery of Chemistry	-	-	90,682	21,377
International Education Development	480	-	1,920	-
Daycare & Related Program Grants	126,562	1,308	98,102	3,414
Total	$ 50,185,353	$ 25,054	$ 43,868,621	$ 48,424

Note 17 Related Party Transactions (continued)

During the year, the College conducted business transactions with other public colleges and universities. The revenues and expenses incurred for these business transactions have been included in the statement of operations but have not been separately quantified. These transactions were entered into on the same business terms as those with non-related parties and are recorded at fair value amounts.

At June 30, 2004, the College has receivables from the Province of Alberta of $528,076 (2003: $341,534), and payables to the Province of Alberta of $373,514 (2003: $492,921).

During the year, the College provided a home relocation loan to the President. This loan bears interest at 3% per annum, is repayable on demand, and at June 30, 2004, the loan balance was $223,631.

Note 18 Commitments

(a) The College leases facilities within Calgary with lease terms of up to five years. These leases expire within the next one to five years. The minimum operating lease payments for each of the five succeeding fiscal years is as follows:

2005	$ 1,173,151
2006	$ 200,000
2007	$ 200,000
2008	$ 200,000
2009	$ 100,000

(b) As at June 30, 2004, the College has commitments of $591,617 (2003: $4,302,636) for capital and expansion projects. As well, the College has entered into a five year contract (expiring on December 31, 2008) to manage its exposure to volatility in the electrical industry. Based on management's estimate, the annual costs for the year ending June 30, 2005 are expected to be approximately $2.8 million.

Note 19 Pledges

The estimated realizable value of pledges at June 30, 2004 is $4,073,277 (2003: $7,996,924). These pledges are expected to be honoured over the next thirteen years and are not recorded as assets in these financial statements.

Note 20 Correction of Errors

During the year, the College determined that certain capital assets acquired in the prior year were not accurately included in the assets reported on the financial statements. Some of these assets were donated, some leased and one acquired from unrestricted sources. As a result, capital assets were understated, unamortized deferred capital contributions were understated, and deferred capital contributions were understated. With respect to net assets, unrestricted net assets were overstated, internally restricted net assets were understated and investment in capital assets were overstated. The correction has been made retroactively with restatement of prior period amounts as follows:

	2003		
Consolidated Statement of Financial Position	As Previously Reported	Adjustment and/or re-classified	As Restated
Cash and Short Term Investments	$ 30,954,620	$ (1,048,943)	$ 29,905,677
Investments	$ 44,470,983	$ 1,048,943	$ 45,519,926
Capital assets	$ 177,137,370	$ 305,546	$ 177,442,916
Deferred capital contributions	$ 20,118,177	$ 90,033	$ 20,208,210
Unamortized deferred capital contributions	$ 132,016,912	$ 21,938	$ 132,038,850
Unrestricted net assets	$ 2,001,955	$ (90,033)	$ 1,911,922
Internally restricted net assets	$ 8,611,549	$ 958,910	$ 9,570,459
Investment in capital assets	$ 14,209,984	$ (675,302)	$ 13,534,682
Consolidated Statement of Operations			
Investment income	$ 1,345,834	$ 214,747	$ 1,560,581
Supplies and services	$ 20,634,783	$ 21,171	$ 20,655,954
Excess of revenue over expense	$ 450,755	$ 193,576	$ 644,331
Consolidated Statement of Cash Flows			
Operating activities	$ (2,041,612)	$ 193,576	$ (1,848,036)
Investing activities	$ (39,969,961)	$ (1,264,457)	$ (41,234,418)
Financing activities	$ 37,937,915	$ 21,939	$ 37,959,854

Note 21 Budget

The College is required to submit annually a budget/business plan, approved by the Board, to the Minister of Learning for approval. The budget/business plan for fiscal year 2003/2004 was approved by the Board on June 2, 2003 and submitted to the Minister thereafter.

A revision to the approved budget plan to reflect more accurate information for revenue and expense was reviewed and approved by the Board on April 5, 2004. The revised budget is as follows:

	Budget
Revenue	
Grants	$ 48,474,285
Tuition and related fees	29,071,953
Community programs	15,857,564
Sales, rentals and services	15,023,082
Investment income	1,933,364
Donations and contributions	951,111
Earned capital contributions	6,500,000
	$ 117,811,359
Expense	
Salaries and benefits	$ 76,321,845
Supplies and services	24,024,011
Cost of goods sold	3,413,420
Utilities	4,870,634
Scholarships and bursaries	558,600
Amortization	7,500,900
	$ 116,689,410

Note 22 Comparative Figures

Certain 2003 figures have been reclassified to conform to the current year presentation.

Note 23 Approval of Financial Statements

The Board of Governors has approved these financial statements.

NORQUEST COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2004

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flow

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of NorQuest College

I have audited the consolidated statement of financial position of NorQuest College as at June 30, 2004 and the consolidated statements of operations, changes in net assets, and cash flow for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred Dunn FCA
Auditor General

Edmonton, Alberta
October 1, 2004

NORQUEST COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2004

	2004	2003
ASSETS		
Current:		
Cash and investments (Note 3)	$ 7,576,638	$ 8,498,555
Accounts receivable	1,676,717	1,373,805
Inventories	149,172	217,858
Prepaid expenses	983,009	312,926
	10,385,536	10,403,144
Non-current cash and investments (Note 3)	6,514,995	5,687,976
Capital assets (Note 4)	22,619,919	20,900,781
	$ 39,520,450	$ 36,991,901
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 2,311,887	$ 2,008,706
Accrued vacation pay	2,191,275	2,471,067
Unearned revenue (Note 5)	1,327,474	948,856
Deferred contributions (Note 6)	241,423	686,083
	6,072,059	6,114,712
Deferred capital contributions (Note 7)	570,016	414,563
Unamortized deferred capital contributions (Note 9)	15,545,013	15,514,937
	22,187,088	22,044,212
Net Assets:		
Unrestricted	137,468	1,381,655
Internally restricted (Note 10)	9,740,728	7,813,514
Invested in capital assets	7,074,906	5,385,842
	16,953,102	14,581,011
Endowments (Note 11)	380,260	366,678
	17,333,362	14,947,689
	$ 39,520,450	$ 36,991,901

The accompanying notes are an integral part of these financial statements.

NORQUEST COLLEGE
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2004

	2004		2003
	Budget (Note 21)	Actual	Actual
Revenue:			
Grants and other provincial government contributions (Note 12)	$ 19,597,591	$ 20,985,401	$ 19,755,362
Tuition and related fees	8,607,365	8,745,413	8,488,610
Entrepreneurial grants and contracts (Note 13)	4,487,222	4,633,771	4,609,285
Other sales, services and rental income	1,890,960	2,402,045	2,248,068
Amortization of deferred capital contributions (Note 9)	1,000,000	1,025,773	1,021,138
Interest income (Note 15)	375,000	558,050	586,705
Donations and contributions	-	67,882	91,895
	35,958,138	38,418,335	36,801,063
Expense (Note 16):			
Salaries, wages and benefits (Note 17)	26,512,352	26,064,849	24,362,433
Supplies and services (Note 18)	5,996,217	7,333,514	7,189,363
Amortization and loss/gain on disposal	1,800,000	1,892,440	1,758,000
Utilities	687,400	546,322	624,361
Professional development	284,900	209,119	205,092
	35,280,869	36,046,244	34,139,249
Excess of revenue over expense	$ 677,269	$ 2,372,091	$ 2,661,814

NORQUEST COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004

	2004					2003
	Unrestricted	Internally Restricted	Invested in Capital Assets	Endowments	Total	Total
Excess of revenue over expense	$ 2,372,091	$ -	$ -	$ -	$ 2,372,091	$ 2,661,814
Endowment contributions	-	-	-	13,582	13,582	49,678
Transfers for:						
Acquisition of internally funded capital assets	(2,558,801)	-	2,558,801	-	-	-
Net book value of capital assets disposed	6,466	-	(6,466)	-	-	-
Amortization of internally funded capital assets	863,271	-	(863,271)	-	-	-
Board appropriations (Note 10)	(2,005,985)	2,005,985	-	-	-	-
Amount expended (Note 10)	78,771	(78,771)	-	-	-	-
Increase in net assets	(1,244,187)	1,927,214	1,689,064	13,582	2,385,673	2,711,492
Net assets, beginning of year	1,381,655	7,813,514	5,385,842	366,678	14,947,689	12,236,197
Net assets, end of year	$ 137,468	$ 9,740,728	$ 7,074,906	$ 380,260	$ 17,333,362	$ 14,947,689

NORQUEST COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2004

	2004	2003
Cash generated from (used by):		
Operating activities:		
Excess of revenue over expense	$ 2,372,091	$ 2,661,814
Non-cash transactions:		
Amortization of capital assets	1,887,493	1,791,200
Amortization of deferred capital contributions (Note 9)	(1,025,773)	(1,021,138)
Loss (Gain) on disposal of capital assets	4,947	(33,200)
	3,238,758	3,398,676
Changes in working capital:		
Accounts receivable	(302,912)	(150,141)
Inventories	68,686	(64,475)
Prepaid expenses	(670,083)	(115,042)
Accounts payable and accrued liabilities	303,181	333,623
Accrued vacation pay	(279,792)	234,877
Unearned revenue	378,618	121,836
Deferred contributions	(444,660)	(162,955)
	(946,962)	197,723
Cash provided by operating activities	2,291,796	3,596,399
Investing activities:		
Proceeds on disposal of capital assets	3,071	4,487
(Increase) Decrease in non-current cash and investments - net	(827,019)	888,266
Acquisition of capital assets - internally funded	(2,558,801)	(1,237,381)
Acquisition of capital assets - externally funded	(1,055,848)	(634,781)
Cash applied to investing activities	(4,438,597)	(979,409)
Financing activities:		
Deferred capital contributions received (Note 7)	1,372,780	98,399
Deferred capital contributions used for operating (Note 7)	(161,478)	(533,508)
Endowment contributions	13,582	49,678
Donated equipment	-	2,809
Cash generated (applied to) from financing activities	1,224,884	(382,622)
(Decrease) Increase in cash	(921,917)	2,234,368
Cash and investments at beginning of year	8,498,555	6,264,187
Cash and investments at end of year	$ 7,576,638	$ 8,498,555

Note 1 Authority and Purpose

NorQuest College (the "College") operates under the authority of the Post-Secondary Learning Act, Chapter P-19.5, Statutes of Alberta, 2003.

Serving primarily communities in central Alberta, the College provides instruction and training to assist adult learners through academic upgrading programs; career entry training in business, health, trades, technical and service industries; and English as a second language programs. The College maintains a special interest in providing programs and services to aboriginal communities.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Consolidation

These consolidate financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the College and the NorQuest College Foundation.

In preparing the College's consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the period. Management believes its estimates to be appropriate, however, actual results could differ from these estimates.

(b) Revenue Recognition

(i) Unrestricted Contributions

Unrestricted operating grants and contributions are recognized as revenue in the period when receivable.

(ii) Restricted Contributions

Externally restricted grants and contributions received primarily for non capital purposes are deferred and recognized as revenue in the period when related expenses are incurred.

Externally restricted contributions received primarily for capital purposes are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to Unamortized Deferred Capital Contributions. Unamortized Deferred Capital Contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Restricted contributions for the purchase of capital assets which will not be amortized are recorded as direct increases in Invested in Capital Assets.

Externally restricted contributions for endowment purposes are not recognized as revenue, but are recorded as direct increases in net assets.

(iii) Investment Income

Unrestricted investment income is recognized in the year it is earned. Investment income subject to external restrictions is deferred and recognized as revenue in the period the related expenses are incurred.

(iv) Donations

Donations and contributions in kind are recorded at fair value.

(v) Program Delivery

Revenue from tuition fees, education contract programs and sale of goods and services is recognized as revenue in the period in which the goods are delivered or the services are provided.

Revenue from long-term education contracts is determined using the percentage of completion method. Provision is made for all anticipated losses as soon as they become evident.

(c) Inventories

Inventories for resale are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(d) Capital Assets

Capital assets are recorded at cost, except donated assets, which are recorded at fair value.

Capital assets are amortized on a straight-line basis over the following estimated average useful lives:

Buildings, site and leasehold improvements	10 - 40 years
Furniture, equipment and vehicles	10 years
Library collection	10 years
Curriculum	10 years
Computer hardware	5 years
Computer software	5 years
Rental books	5 years

(e) Employee Future Benefits

The College participates in the Public Service Pension Plan and the Management Employees Pension Plan. These pension plans are multi-employer defined benefit pension plans, that provide pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the cost of employer contributions, for its employees during the year, based on rates which are expected to provide for benefits payable under the respective pension plan. The College's portion of the pension plans' deficit or surplus is not recorded by the College.

(f) Full Cost

The College accounts for all significant costs and revenues related to the services it delivers. The fair value of services provided by the Alberta Government is recorded, with a corresponding amount in grants and other provincial government contributions. This consists of an estimate of the fair value of buildings which are leased by the College at a discounted or nominal cost, an estimate of the fair value of internet services, and an estimate of the fair value of courier services.

(g) Financial Instruments

The carrying value of cash, receivables, payables and accruals approximate their fair values due to the relatively short periods of maturity of the instruments.

Note 3 Cash and Investments (current and non-current)

	2004		2003	
	Book Value	Market Value	Book Value	Market Value
a) Cash - operating	$ 2,318,888	$ 2,318,888	$ 1,747,871	$ 1,747,871
Cash - investment fund	4,822,061	4,822,061	2,570,127	2,570,127
Total cash	7,140,949	7,140,949	4,317,998	4,317,998
Government of Canada bonds	3,715,860	3,903,390	5,131,156	5,499,689
Provincial bonds	3,234,824	3,341,997	4,737,377	4,929,783
Total investments	6,950,684	7,245,387	9,868,533	10,429,472
Total cash and investments	14,091,633	$ 14,386,336	14,186,531	$ 14,747,470
Less non-current portion	(6,514,995)		(5,687,976)	
Cash and investments - current	$ 7,576,638		$ 8,498,555	

Investments by range of maturity date are as follows:

	2004		
	Book Value	Market Value	Effective Yield to Maturity
Maturity less than one year	$ 750,820	$ 757,763	4.52%
Maturity 1 - 5 years, bonds	4,223,227	4,404,108	5.37%
Maturity 5 - 10 years, bonds	1,976,637	2,083,516	5.65%
	$ 6,950,684	$ 7,245,387	

The market value of investments may fluctuate with changes in current interest rates. Market values may decrease if interest rates increase and may increase if interest rates decrease.

Term to maturity of investments is based upon the contractual maturity of the security.

b) Non-current cash and investments comprise:

	2004	2003
Internally restricted for capital purposes	$ 5,564,719	$ 4,906,735
Externally restricted for capital purposes	570,016	414,563
Endowments	380,260	366,678
	$ 6,514,995	$ 5,687,976

Note 4 Capital Assets

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 3,840,000	$ -	$ 3,840,000	$ 2,540,000
Buildings, site and leasehold improvements	16,914,028	2,219,943	14,694,085	14,462,064
Computer hardware	4,453,023	2,613,126	1,839,897	1,804,874
Computer software	1,624,678	1,044,185	580,493	702,266
Rental books	838,987	623,172	215,815	221,733
Furniture, equipment and vehicles	1,334,627	470,984	863,643	670,577
Library collection	733,516	404,868	328,648	325,523
Curriculum	307,937	50,599	257,338	173,744
	$ 30,046,796	$ 7,426,877	$ 22,619,919	$ 20,900,781

Software includes licence fees and direct costs dedicated to the Agresso financial systems development project.

Note 5 Unearned Revenue

	2004	2003
Tuition fees	$ 888,037	$ 917,200
Entrepreneurial contract programs	394,537	19,964
Ancillary services and other	44,900	11,692
	$ 1,327,474	$ 948,856

Note 6 Deferred Contributions

	2004	2003
Restricted donations and contributions received during the year:		
Conditional grants	$ 3,311,747	$ 3,540,119
Donations and contributions	173,291	98,523
Interest income (Note 15)	19,944	16,714
	3,504,982	3,655,356
Transferred to revenue:		
Conditional grants, Alberta Learning (Note 12)	(2,179,738)	(2,248,506)
Conditional grants, Government of Canada	(1,245,580)	(1,323,729)
Conditional grants, other (Note 12)	(1,000)	(3,000)
Donations and contributions	(66,908)	(84,126)
Interest income (Note 15)	(10,386)	(10,873)
	(3,503,612)	(3,670,234)
Transferred to deferred capital contributions (Note 7)	(446,030)	(98,399)
Transferred to endowments	-	(49,678)
	(446,030)	(148,077)
Decrease during the year	(444,660)	(162,955)
Balance at beginning of year	686,083	849,038
Balance at end of year	$ 241,423	$ 686,083

The balance consists of funds restricted for:

	2004	2003
Health careers expansion	$ -	$ 566,528
Scholarships and bursaries	235,495	119,555
Energy Management Projects	5,928	-
	$ 241,423	$ 686,083

Note 7 Deferred Capital Contributions

	2004	2003
Conditional grants:		
Alberta Infrastructure	$ 428,000	$ -
Alberta Learning	498,750	-
Transferred from deferred contributions (Note 6)	446,030	98,399
	1,372,780	98,399
Transferred to grant revenue:		
Alberta Infrastructure (Note 12)	(144,807)	(468,469)
Alberta Learning (Note 12)	(16,671)	(65,039)
Transferred to unamortized deferred capital contributions (Note 9)	(1,055,849)	(631,971)
	155,453	(1,067,080)
Balance at beginning of year	414,563	1,481,643
Balance at end of year	$ 570,016	$ 414,563
The balance consists of funds restricted for:		
Alberta Infrastructure - Facilities renewal	$ 210,000	$ 263,602
Alberta Learning - Health Careers expansion	360,016	150,961
Alberta Infrastructure - Health Careers expansion	-	-
Alberta Infrastructure - Feasibility study	-	-
	$ 570,016	$ 414,563

Note 8 Employee Future Benefits

At July 1, 2002, the College established a self-insured long term disability plan for its term employees. Employee and employer contributions are based on a percentage of the monthly salary of each term employee. This percentage is reviewed each year in conjunction with a review of the actual benefits paid out during the year. Employee and employer contributions for the year ended June 30, 2004 were $44,923 (2003 - $46,797) and $12,900 (2003 - $21,298) respectively. Funds disbursed included $28,204 (2003 - $4,907) for claims and $3,873 (2003 - $3,852) for administration costs, leaving plan assets of $85,081 (2003 - $59,336).

The total accrued benefit obligation at June 30, 2004 is $39,158 (2003 - $36,393). This is comprised of an open and reported claims liability estimate of $18,005 (2003 - $29,477), determined based on a gross monthly benefit and no other discounts for interest, CPP offsets, death or recovery, and a further liability of $21,153 (2003 - $6,915) estimated for incurred but not reported claims (established based on 75% of annual paid claims). The College recognized a net recovery of $10,080 (2003 - $1,645).

The plan surplus is $45,923 (2003 - $22,943). The plan assets are included in the College's cash and investments and the accrued benefit obligation is included in the College's accounts payable and accrued liabilities.

The College participates in the Public Service Pension Plan and the Management Employees Pension Plan. The pension expense recorded in these financial statements is equivalent to the College's annual contributions of $1,434,120 for the year ended June 30, 2004 (2003 - $1,058,842).

At December 31, 2003, the Management Employees Pension Plan reported an unfunded liability of $290,014,000 (2002- $301,968,000) and the Public Service Pension Plan reported an unfunded liability of $596,213,000 (2002 - $175,528,000).

Note 9 Unamortized Deferred Capital Contributions

	2004	2003
Balance at beginning of year	$ 15,514,937	$ 15,901,295
Amortization of deferred capital contributions	(1,025,773)	(1,021,138)
Transferred from deferred capital contributions (Note 7)	1,055,849	631,971
Donated equipment	-	2,809
Balance at end of year	$ 15,545,013	$ 15,514,937

Note 10 Internally Restricted Net Assets

Internally restricted net assets represent amounts restricted by the College Board of Governors to be used for the following designated purposes. These amounts are not available for other purposes without the approval of the Board.

	2004			
	Opening	Appropriations and Transfers	Expended	Closing
Capital:				
Downtown Campus Development	$ -	$ 3,625,000	$ -	$ 3,625,000
Facilities	3,212,487	(1,746,681)	-	1,465,806
Equipment	1,335,904	(1,220,335)	-	115,569
Systems development	358,344	-	-	358,344
	4,906,735	657,984	-	5,564,719
Strategic investment	352,863	448,576	-	801,439
Technology renewal	654,135	458,144	-	1,112,279
Organizational development	724,673	(300,000)	-	424,673
Instructional development	848,700	347,645	(21,672)	1,174,673
Ancillary development	296,098	333,777	-	629,875
Scholarships	30,310	59,859	(57,099)	33,070
Totals	$ 7,813,514	$ 2,005,985	$ (78,771)	$ 9,740,728

Note 11 Endowments

Endowments consist of restricted donations to the College and internal allocations by the Board of Governors, the principal of which is not to be spent. Investment earnings on externally restricted endowments are recorded as deferred contributions until spent, at which time they are recorded as revenue. Investment earnings on internally restricted endowments are recorded as revenue and transferred to internally restricted net assets until spent. The investment income generated from endowments must be used in accordance with the purposes established by the donors or the Board of Governors. Endowments comprise the following:

	2004	2003
Externally restricted for scholarships and bursaries	$ 239,260	$ 225,678
Internally restricted:		
Scholarships and bursaries	104,000	104,000
Literacy	27,000	27,000
Graduation	10,000	10,000
	141,000	141,000
	$ 380,260	$ 366,678

Note 12 Grants and Other Provincial Government Contributions

	2004	2003
Alberta Learning:		
General operating grant	$ 18,146,726	$ 16,023,445
Performance envelope	181,351	521,354
Conditional grants (Note 6)	2,179,738	2,248,506
Conditional capital grants (Note 7)	16,671	65,039
Other Alberta Government:		
Contributions in kind (Note 20)	315,108	425,549
Conditional capital grants (Note 7)	144,807	468,469
Other conditional grants (Note 6)	1,000	3,000
	$ 20,985,401	$ 19,755,362

Note 13 Entrepreneurial grants and contracts

	2004	2003
Government of Canada - Language Instruction for Newcomers	$ 1,245,580	$ 1,323,728
Consortia Contracts	923,276	758,721
Alberta Human Resources and Employment:		
Client Advisory and Information Services	839,450	715,900
Disability Related Employment Support	774,025	733,397
Job Placement	109,200	93,800
	1,722,675	1,543,097
Other contracts	742,240	983,739
	$ 4,633,771	$ 4,609,285

Note 14 Ancillary Services

	2004				2003
	Campus Store	Rental Books	Other Ancillary	Total	Total
Revenue	$ 1,059,755	$ 803,060	$ 395,178	$ 2,257,993	$ 2,085,690
Expense (Note 16)	(989,201)	(495,370)	(238,791)	(1,723,362)	(1,463,739)
Net	70,554	307,690	156,387	534,631	621,951
Indirect expenses	(75,994)	(151,477)	(22,137)	(249,608)	(210,597)
Excess (deficiency)	$ (5,440)	$ 156,213	$ 134,250	$ 285,023	$ 411,354

Indirect expenses include estimates for the cost of use of space, facility operating costs, and institutional support. Other ancillary services include parking, car wash, and external printing services.

Note 15 Interest Income

	2004	2003
Interest earnings	$ 567,608	$ 592,546
Add deferred amounts expended (Note 6)	10,386	10,873
Less amounts transferred to deferred contributions for scholarships and bursaries (Note 6)	(19,944)	(16,714)
Total interest income recognized as revenue	$ 558,050	$ 586,705

Note 16 Expense by Function

	2004	2003
Instruction	$14,410,878	$14,058,612
Academic support	6,302,119	5,566,471
Facilities operations and maintenance	4,683,702	5,137,209
Student services	3,601,867	3,141,389
Institutional support	3,610,147	3,225,361
Ancillary services (Note 14)	1,723,362	1,463,739
Computing, network and communications	1,527,202	1,306,774
Special purpose and trust	186,967	239,694
	$36,046,244	$34,139,249

Instruction encompasses all formal educational and instructional program elements.

Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio visual services.

Facilities operations and maintenance includes building maintenance, facilities administration, custodial services, utilities, repairs and renovations, capital amortization and other activities for the management of the facilities.

Student services includes all activities or services to the student body of the College.

Institutional support includes all activities that provide College-wide support to other programs and services.

Ancillary services include self supporting revenue producing services provided to students and faculty or staff.

Computing, network and communications includes activities and services that provide and support computing, networking, data communications and other information technology functions.

Special purpose and trust includes activities related to student assessment testing.

Note 17 Salaries, Wages and Benefits

The following information is prepared in accordance with Treasury Board Directive No. 12/98, as amended July 6, 2004, and only includes salary and benefit information for the Board and Senior Management:

	2004				2003
	Base Salary(1)	Other Cash Benefits(2)	Other Non-cash Benefits (3)	Total	Total
Chairman of the Board	$ -	$ 4,600	$ -	$ 4,600	$ 2,400
Board Members	-	24,875	-	24,875	12,500
President	134,160	-	29,242	163,402	151,395
Vice President - College Services	102,348	-	17,905	120,253	114,783
Vice President - Instruction	93,819	-	16,346	110,165	113,257
Dean - Learning Resource Services	89,412	-	17,956	107,368	99,803
Dean - Health and Human Services	89,412	-	17,682	107,094	100,560
	$ 509,151	$ 29,475	$ 99,131	$ 637,757	$594,698

1) Base Salary represents the actual salary expense and includes base pay and amounts deferred for future leave.

2) Other cash benefits include bonuses, overtime, lump sum payments and honoraria.

3) Other non-cash benefits include the College's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long-term disability plans, and professional memberships required for employment. Other non-cash benefits also includes accrued professional development leave for the President.

Note 18 Supplies and Services

	2004	2003
Supplies and services	$2,354,468	$2,031,562
Contracted services	1,117,644	1,301,403
Repairs and maintenance	1,032,801	983,237
Purchases for resale	954,407	807,522
Leases and rentals	976,574	1,166,943
Marketing	476,892	547,063
Telecommunications	296,635	294,780
Scholarships and bursaries	124,093	56,853
	$7,333,514	$7,189,363

Note 19 Commitments and Contingencies

Future minimum annual lease payments under operating leases and other commitments are:

2005	$1,013,489
2006	177,699
2007	150,471
2008	63,670
2009 and thereafter	2,352

Included in the above is a major contract to provide facility maintenance services. The contract is for the period June 30, 2002 to June 30, 2005. The total outstanding commitment at June 30, 2004 is $710,823.

Note 20 Related Parties

(a) Alberta Government and Alberta Post-Secondary Education Institutions

The College is a Provincial Corporation. All of the members of the Board of Governors are appointed pursuant to the Colleges Act by a combination of orders by the Lieutenant Governor in Council or the Minister of Learning. In accordance with the accounting policy described in Note 2 (e), the College accounts for all significant costs related to the services for which it is responsible.

In the normal course of operations, the College engages in brokerage and other collaborative arrangements with other post-secondary educational institutions in Alberta. These institutions are also Provincial Corporations.

The College had the following transactions with related parties:

	Alberta Government		Post Secondary Collaboration	
	2004	2003	2004	2003
Revenues:				
Grants and other provincial government contributions	$20,984,401	$19,752,362	$ -	$ -
Contract programs	1,778,070	1,618,054	413,397	880,553
Amortization of deferred capital contributions	1,022,119	1,017,484	-	-
Other sales, services and rental income	3,530	13,405	6,128	19,701
	$23,788,120	$22,401,305	$ 419,525	$ 900,254
Expenses	$ 123,715	$ 928	$ 62,005	$ 94,399
Contributions in kind	315,108	425,549	-	-
	$ 438,823	$ 426,477	$ 62,005	$ 94,399
Accounts receivable	$ 327,922	$ 262,319	$ 299,636	$ 120,064
Accounts payable	$ -	$ -	$ 44,671	$ -
Deferred contributions	$ 570,016	$ 981,090	$ -	$ -
Unamortized deferred capital contributions	$15,523,658	$15,489,928	$ -	$ -

Contributions in kind from the Alberta Government includes an estimate of the fair value of the buildings leased by the College from the Alberta Government at nominal or discounted amounts, and estimates of the fair value of courier and internet services.

(b) Joint Venture

On December 18, 1998, the Lieutenant Governor in Council approved the establishment of a corporation, to be owned equally by Northern Lakes College, Portage College, NorQuest College and Bow Valley College. On February 10, 1999, 818196 Alberta Ltd. was incorporated pursuant to the Alberta Business Corporations Act.

The Corporation was created for the purpose of holding the jointly developed intellectual property transferred from her Majesty the Queen in Right of the Province of Alberta as represented by the Minister of Learning. The fair value of the intellectual property transferred cannot be reasonably determined. As at June 30, 2004, this Corporation was not active.

Note 21 Budget

The Board of Governors approved the College's annual budget on June 2, 2003, and its subsequent amendments on August 25, 2003.

Note 22 Funds Held on Behalf of Others

The College provides accounting services to certain entities. The following funds, held by the College on their behalf, are not included in these financial statements:

	2004	2003
NorQuest College Faculty Association	$ 122,757	$ 179,342
Deferred Salary Leave Plan	162,377	158,635
NorQuest College Students' Association	288,410	203,502
NorQuest College Staff Social Fund - Spirit Planners	700	4,836
NorQuest Student Art Club	5,718	428
Marine Biology Student Fund	84	79
	$ 580,046	$ 546,822

Note 23 Subsequent Events

Prior to June 30, 2004, the College commenced the process to exercise its option to purchase property that is adjacent to its main campus. Subsequent to June 30, 2004, the College has made an agreement to purchase this property. In accordance with the agreement, the purchase price is to be determined through a fair market appraisal and valuation.

Note 24 Comparative Figures

Certain comparative amounts have been reclassified where necessary to conform to the current year's financial statement presentation.

Note 25 Approval of Financial Statements

These financial statements were approved by the Board of Governors.

NORTHERN LAKES COLLEGE

FINANCIAL STATEMENTS

June 30, 2004

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of Northern Lakes College

I have audited the consolidated statement of financial position of the Northern Lakes College as at June 30, 2004 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
September 24, 2004

NORTHERN LAKES COLLEGE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2004

	2004	2003
ASSETS		
Current:		
Cash	$ 4,463,180	$ 3,657,719
Accounts receivable	1,138,101	873,781
Inventories	210,171	146,405
Prepaid expenses	109,611	105,875
	5,921,063	4,783,780
Non-current cash (Note 3)	68,250	152,759
Investments (Note 4)	1,395,979	1,349,687
Capital assets (Note 5)	31,335,250	32,060,151
	$ 38,720,542	$ 38,346,377
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 687,674	$ 896,712
Accrued vacation pay	2,003,596	2,032,170
Unearned revenue (Note 6)	245,783	104,235
Deferred contributions (Note 7)	1,373,850	1,009,470
Current portion of deferred capital contributions (Note 8)	58,807	-
Security deposits held	14,744	14,863
Current portion of equipment loan (Note 9)	35,224	-
Current portion of capital lease obligation	-	62,514
	4,419,678	4,119,964
Deferred capital contributions (Note 8)	-	87,759
Equipment loan (Note 9)	132,078	-
Unamortized deferred capital contributions (Note 10)	25,967,719	26,753,492
	30,519,475	30,961,215
Net assets:		
Unrestricted net assets	2,752,344	2,063,074
Invested in capital assets	5,367,531	5,244,146
Internally restricted net assets (Note 11)	12,942	12,942
	8,132,817	7,320,162
Endowments	68,250	65,000
	8,201,067	7,385,162
	$ 38,720,542	$ 38,346,377

The accompanying notes are an integral part of these consolidated financial statements.

NORTHERN LAKES COLLEGE

CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED JUNE 30, 2004

	2004		2003
	Budget (Note 21)	Actual	Actual
Revenue:			
Grants and provincial government contributions (Note 12)	$ 17,561,963	$ 18,504,191	$ 17,292,710
Tuition and related fees	4,417,975	3,158,313	3,323,271
Sales, rentals and services (Note 13)	1,225,100	1,309,676	1,213,910
Contract programs	180,750	334,578	449,699
Investment income (Note 14)	203,000	178,066	210,894
Donations and contributions	23,450	48,186	98,300
Miscellaneous	41,100	43,766	24,682
Gain on disposal of capital assets	25,000	5,598	255,910
Amortization of deferred capital contributions (Note 10)	1,225,000	1,243,811	1,284,890
	24,903,338	24,826,185	24,154,266
Expense (Note 15):			
Salaries, wages and benefits (Note 16)	14,682,803	14,818,617	14,143,482
Supplies and services	5,764,660	4,383,192	5,154,344
Amortization	1,890,000	2,027,521	1,984,359
Utilities	1,166,775	1,332,192	1,309,061
Cost of goods sold	445,000	566,289	487,024
Travel	534,650	514,751	594,385
Facilities rental	190,200	157,792	181,091
Repairs and maintenance	183,150	156,582	208,470
Scholarships and bursaries	73,500	61,602	68,567
Loss on sale of investments	-	-	17,145
	24,930,738	24,018,538	24,147,928
Excess (deficiency) of revenue over expense	$ (27,400)	$ 807,647	$ 6,338

NORTHERN LAKES COLLEGE

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2004

	2004					2003
	Endowments	Internally Restricted Net Assets	Invested in Capital Assets	Unrestricted	Total	Total
Excess of revenue over expense	$ -	$ -	$ -	$ 807,647	$ 807,647	$ 6,338
External endowment contributions	3,250	-	-	-	3,250	-
Contributions for museum collection	-	-	5,008	-	5,008	-
Transfers for:						
Payment of capital lease principal	-	-	62,514	(62,514)	-	-
Acquisition of internally funded capital assets	-	-	938,224	(938,224)	-	-
Disposal of internally funded capital assets	-	-	(92,843)	92,843	-	-
Amortization of internally funded capital assets	-	-	(789,518)	789,518	-	-
Increase in net assets	3,250	-	123,385	689,270	815,905	6,338
Net assets, beginning of year	65,000	12,942	5,244,146	2,063,074	7,385,162	7,378,824
Net assets, end of year	$ 68,250	$ 12,942	$5,367,531	$ 2,752,344	$8,201,067	$ 7,385,162

NORTHERN LAKES COLLEGE

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2004

	June 30, 2004	June 30, 2003
Cash generated from (used by):		
Operating activities:		
Excess of revenue over expense	$ 807,647	$ 6,338
Non-cash transactions		
Amortization of deferred capital contributions	(1,243,811)	(1,284,890)
Amortization of capital assets	2,027,521	1,984,359
Gain on disposal of capital assets	(5,598)	(255,910)
	1,585,759	449,897
Changes in non-cash working capital (Note 17)	(28,401)	(932,464)
Cash generated from operating activities	1,557,358	(482,567)
Investing activities:		
Net increase in investments	(46,292)	(28,736)
Net decrease in non-current cash	84,509	-
Acquisition of capital assets	(1,401,270)	(2,101,604)
Proceeds on disposal of capital assets	104,248	334,519
Cash applied to investing activities	(1,258,805)	(1,795,821)
Financing activities:		
Equipment loan	132,078	-
Principal payments on capital lease obligation	(62,514)	(18,064)
Endowment contributions	3,250	-
Capital contributions received (Note 8)	434,094	592,002
Cash generated from financing activities	506,908	573,938
Increase (Decrease) in cash	805,461	(1,704,450)
Cash at beginning of year	3,657,719	5,362,169
Cash at end of year	$ 4,463,180	$ 3,657,719

NORTHERN LAKES COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2004

Note 1 Authority and Purpose

Northern Lakes College (the "College") was established as a public college on May 14, 1997 by the Lieutenant Governor in Council. The College operates under the authority of the Post-Secondary Learning Act, Chapter P-19.5, Statues of Alberta, 2003. The College is a registered charity and is exempt from the payment of income taxes under section 149 of the Income Tax Act.

Serving primarily communities in north central Alberta, the College provides quality educational programs and services which enable adults to continue their education, to improve their employment opportunities, and to enhance their quality of life. The College accomplishes its mission and mandate for services through: direct and distance delivered programs and courses; numerous credit and non-credit offerings; brokerage and collaborative arrangements; partnerships with business, industry, institutions and agencies; a structured network of community involvement in needs definition, student and staff selection, and assessment of College effectiveness; and use of technology to provide affordable and accessible programs and services to a wide geographic area.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the College, the Council of Community Education Committees Society of Northern Lakes College (the "CCEC") and the Sunrise Higher Education Foundation (the "Foundation"). These entities operate under the Alberta Societies Act and are registered charitable organizations for income tax purposes. The CCEC acts as a partner with the College reviewing, monitoring and advising on college service priorities in addition to operating and managing numerous programs and courses. The CCEC is made up of 24 education committees representing numerous community agencies and organizations in north central Alberta. The Foundation manages a co-operative university transfer program which provides full time program advisors and study skills tutors to assist students in developing the skills necessary to succeed.

(b) Revenue Recognition

(i) Unrestricted Contributions

Unrestricted operating grants and contributions are recognized as revenue in the period when receivable.

(ii) Restricted Contributions

Externally restricted non-capital grants and contributions are deferred and recognized as revenue in the period when related expenses are incurred.

Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Restricted contributions for the purchase of capital assets which will not be amortized are recorded as direct increases in net assets.

Externally restricted contributions for endowment purposes are not recognized as revenue, but are recorded as direct increases in net assets.

(iii) Investment Income

Unrestricted investment income is recognized in the year it is earned.

Investment income subject to external restrictions is, depending on the nature of the restrictions, recorded as a direct increase to net assets, or is deferred and recognized as revenue in the period the related expenses are incurred.

(iv) Donations

Donations and contributions in-kind are recorded at fair value when such value can reasonably be determined.

(v) Program Delivery

Revenue from tuition fees, education contract programs and sale of goods and services is recognized as revenue in the period in which the goods are delivered or the services are provided.

Revenue from long-term education contracts is determined on the percentage of completion method. Provision is made for all anticipated losses as soon as they become evident.

(c) Inventories

Inventories for resale are valued at the lower of cost or net realizable value, with cost determined on a moving average basis.

(d) Investments

Non-current investments are recorded at cost. Cost includes the amount of applicable amortization of discount or premium using the straight-line method over the period to maturity. The cost of disposal is determined on the average cost basis. Gains or losses realized on disposal are recognized in the period of disposal.

Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

(e) Capital Assets and Collections

Capital assets are recorded at cost, except donated assets which are recorded at fair value, when fair value is reasonably determinable.

Capital assets, except work in progress which is amortized upon completion, are amortized on a straight-line basis over the following estimated average useful lives:

Buildings and site improvements	10 - 40 years
Telecommunications equipment	5 - 10 years
Furniture and equipment	5 - 10 years
Heavy equipment	5 - 10 years
Vehicles	5 - 10 years
Library holdings	2 - 10 years
Curriculum development	5 years
Computer equipment and software	5 years

Leasehold improvements are amortized over the remaining term of the lease.

Museum Collections are recorded at cost and are not amortized.

(f) Employee Future Benefits

The College participates in the Province of Alberta's Public Service and the Management Employees Pension Plans. These pension plans are multi-employer defined benefit plans that provide pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the Public Service and the Management Employees Pension Plans. The College's portion of the pension plans' deficit or surplus is not recorded by the College.

(g) Financial Instruments

The carrying value of cash, receivables and payables, and accruals approximate their fair value due to the relatively short periods to maturity of the instruments. The fair value of investments is their market value. The market value of publicly traded investments is based on quoted market prices.

(h) Management Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 Non-current Cash

Non-current cash consists of amounts related to:

	June 30, 2004	June 30, 2003
Externally restricted for capital purposes	$ -	$ 87,759
Endowments	68,250	65,000
	$ 68,250	$ 152,759

Cash restricted for endowment purposes represent restricted contributions subject to stipulations specifying that the principal be maintained permanently, although the constituent assets may change from time to time. Investment earnings are to be used for purposes as designated by the contributors. Endowment balance includes an endowment of $5,000 established by the Board of Governors for scholarships.

Note 4 Investments

Investments are comprised of:

	June 30, 2004		June 30, 2003
	Market	Cost	Cost
Cash held by Investment Manager	$ 107,915	$ 107,915	$ 62,045
Term deposits	120,000	120,000	120,000
Fixed Income			
Federal guaranteed bonds	659,602	639,900	643,268
Provincial guaranteed bonds	364,631	349,784	349,737
	1,024,233	989,684	993,005
Equities			
Balanced mutual fund	108,885	95,944	93,717
Canadian money market fund	28,832	28,832	28,229
Money market fund	53,604	53,604	52,691
	191,321	178,380	174,637
	$ 1,443,469	$ 1,395,979	$ 1,349,687

a) Term Deposits

These consist of Royal Bank 5.8% term deposits maturing July 5, 2005.

b) Fixed Income Investments

The terms of the bond portfolio range from 1 year to 6 years with an average term to maturity of 3 years. The average effective yield on the bond portfolio is 4.9%.

c) Balanced Fund

This is a mix of Canadian (30.5%), U.S. (10.2%), and International (10.3%) common stocks and bonds, T-Bills and short-term investments (49.0%). This is termed a middle ground, steady income and moderate growth fund.

Average annual compound rates of return for the fund are 3.00% year to date and a 4 year average of 0.52%.

d) Canadian Money Market Fund

The Canadian Money Market Fund is a conservative T-Bill mutual fund with a monthly income objective. The average annual return is currently 2.13% and is being reinvested into the fund.

e) Money Market Fund

The Royal Bank Money Market Fund is a conservative T-Bill mutual fund with a monthly income objective. The average monthly return is currently 1.73% and is being reinvested into the fund.

Note 5 Capital Assets

	June 30, 2004			June 30, 2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings and site improvements	$ 30,347,580	$ 4,102,890	$ 26,244,690	$ 26,970,851
Computer equipment and software	3,978,236	2,568,178	1,410,058	1,308,495
Logging and heavy equipment	121,483	79,362	42,121	58,933
Land	1,276,680	-	1,276,680	1,276,680
Library holdings	891,791	612,939	278,852	264,184
Curriculum development	826,943	561,146	265,797	327,794
Furniture and equipment	918,771	418,488	500,283	418,874
Vehicles	544,930	402,697	142,233	249,554
Telecommunication equipment	830,057	301,923	528,134	634,887
Leasehold improvements	325,049	161,336	163,713	87,430
Capital leases	107,168	74,473	32,695	54,128
Museum collections	81,532	-	81,532	74,471
Work in progress	368,462	-	368,462	333,870
	$ 40,618,682	$ 9,283,432	$ 31,335,250	$ 32,060,151

Work in progress represents incomplete capital projects for curriculum development in the amount of $95,906, building renovations in the amount of $265,049 and leasehold improvements in the amount of $7,507.

Note 6 Unearned Revenue

	June 30, 2004	June 30, 2003
Tuition Fees	$ 240,915	$ 98,691
Ancillary programs	4,868	5,544
	$ 245,783	$ 104,235

Note 7 Deferred Contributions

	June 30, 2004	June 30, 2003
Balance at beginning of year	$ 1,009,470	$ 1,580,738
Restricted contributions received during the year:		
Conditional grants	1,419,692	327,071
Donations and contributions	114,252	87,857
Investment income (Note 14)	19,309	19,964
	2,562,723	2,015,630
Transferred to:		
Grant revenue (Note 12)	(735,861)	(445,895)
Donation revenue	(13,563)	(79,944)
Investment income (Note 14)	(5,930)	(9,120)
Deferred capital contributions (Note 8)	(433,519)	(471,201)
Balance at end of year	$ 1,373,850	$ 1,009,470

Unspent amounts at end of year are restricted for:

	June 30, 2004	June 30, 2003
Infrastructure Renewal	$ 510,187	$ 278,100
Slave Lake Pool	416,661	414,758
Student Awards and Scholarships	203,406	181,691
Program Enhancement	199,186	68,304
Staff Development	16,582	13,565
Alberta North Projects	11,434	10,957
Museum	3,996	38,750
Other	12,398	3,345
	$ 1,373,850	$ 1,009,470

Note 8 Deferred Capital Contributions

	June 30, 2004	June 30, 2003
Balance at beginning of year	$ 87,759	$ 87,759
Contributions received during the year:		
Transfers from deferred contributions (Note 7)	433,519	471,201
Other contributions	575	120,801
	434,094	592,002
Transferred to:		
Unamortized deferred capital contributions (Note 10)	(458,038)	(592,002)
Museum Collection	(5,008)	-
	(463,046)	(592,002)
Balance at end of year	$ 58,807	$ 87,759

Unspent amounts at end of year are restricted for:

	June 30, 2004	June 30, 2003
Career Technology Studies Project	$ 57,628	$ 82,147
Historical building restoration project	1,179	5,612
	$ 58,807	$ 87,759

Note 9 Equipment Loan

In July 2003, the College borrowed the sum of $176,108 from Caterpillar Financial Services Limited for the purchase of a Harvester Simulator. The loan is secured by a charge on this equipment, bears interest at TD Trust prime plus 0.75% and matures March 30, 2009. During the year principal payments amounted to $8,806.

The repayment of principal for the next five fiscal years will be as follows:

2004	$ 35,224
2005	35,224
2006	35,224
2007	35,224
2008	26,406
	167,302
Less current portion	35,224
	$ 132,078

Note 10 Unamortized Deferred Capital Contributions

	June 30, 2004	June 30, 2003
Balance at beginning of year	$ 26,753,492	$ 27,446,380
Add amount transferred from deferred capital contributions (Note 8)	458,038	592,002
Less amount amortized to revenue	(1,243,811)	(1,284,890)
Balance at end of year	$ 25,967,719	$ 26,753,492

Note 11 Net Assets Internally Restricted by the Board

Internally restricted net assets represent amounts that match donations received from employees for a variety of College supported projects. These amounts are not available for other purposes without the approval of the Board.

Note 12 Grants and Provincial Government Contributions

	June 30, 2004	June 30, 2003
Unrestricted:		
Alberta Learning:		
Base operating grant	$ 17,757,363	$ 16,548,937
Faculty and staff retention	-	192,339
Access grant - Construction Assistance	-	44,983
Access grant - Licensed Practical Nurse	-	38,083
Museum grants	10,967	9,139
Other grants	-	13,334
	17,768,330	16,846,815
Transferred from Deferred Contributions (Note 7):		
Access grants	664,089	269,392
Facilities grants	10,346	94,141
Museum grants	61,426	74,071
LEE - PNP Extended delivery system	-	8,291
	735,861	445,895
	$ 18,504,191	$ 17,292,710

Note 13 Sales, Rentals and Services

	June 30, 2004			
	Bookstores	Housing	Other	Total
Sales, rentals and services	$ 660,955	$ 247,961	$ 400,760	$ 1,309,676
Add:				
Amortization of deferred capital contributions	3,032	148,305	-	151,337
Total revenue	663,987	396,266	400,760	1,461,013
Expense (Note 15)	(644,700)	(437,513)	(44,016)	(1,126,229)
Excess (deficiency) of revenue over expense	$ 19,287	$ (41,247)	$ 356,744	$ 334,784
Excess (deficiency) of revenue over expense (2003)	$ 15,719	$ (140,112)	$ 354,849	$ 230,456

Other revenues in the amount of $400,760 (2003 - $354,849) represent service contract revenue, rental income, sale of curriculum and other miscellaneous revenue.

Note 14 Investment Income

	June 30, 2004	June 30, 2003
Investment earnings	$ 191,445	$ 221,766
Add amounts transferred from deferred contributions (Note 7)	5,930	9,120
Less amounts transferred to security deposits	-	(28)
Less amounts transferred to deferred contributions (Note 7)	(19,309)	(19,964)
Total investment income recognized as revenue	$ 178,066	$ 210,894

Note 15 Expense by Function

	June 30, 2004	June 30, 2003
Instruction	$ 8,060,436	$ 8,220,220
Facilities operations and maintenance	4,923,520	4,861,253
Academic support	3,305,953	3,356,264
Institutional support	3,167,838	3,083,890
Student services	2,229,095	2,295,661
Computing, network and communications	1,205,467	1,172,798
Sales, rentals and services (Note 13)	1,126,229	1,140,697
	$ 24,018,538	$ 24,130,783

Instruction encompasses all formal educational and instructional program elements. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio visual services. Student services include all activities or services to the student body of the institution. Institutional support includes all activities that provide institution-wide support to other programs.

Note 16 Salaries, Wages and Benefits

The salary and benefit disclosure is provided pursuant to Treasury Board Directive 12/98 and includes only the salaries and benefits of those individuals in the senior decision making group of the College.

	2004				2003
	Base Salary[1]	Other Cash Benefits[2]	Other Non-cash Benefits[3]	Total	Total
Board of Governors[4]	$ 26,362	$ -	$ -	$ 26,362	$ 26,116
President	146,253	913	5,908	153,074	152,226
Vice-President					
Academic	108,552	124	16,384	125,060	114,347
College Services	95,172	815	17,319	113,306	107,629
Deans:					
Academic Upgrading	94,392	4,009	17,211	115,612	107,804
University and Career Studies	91,476	577	15,667	107,720	105,102
Student Services[5]	79,848	1,308	16,335	97,491	-

(1) Base salary includes pensionable base pay, except for the President who is not subject to pension benefits.

(2) Other cash benefits include wellness pay-outs, health spending accounts and vacation pay buy-outs.

(3) Other non-cash benefits include the College's share of all employee benefits including Canada Pension Plan, Employment Insurance, pensions, health care, dental coverage, group life insurance, and accidental death and dismemberment insurance and any cash disbursements with respect to vehicle allowances.

(4) There are eleven board members. Several members of the Board are serving members of the individual Community Education Committees and/or the Council of Community Education Committees. During the period, these members received additional honoraria totaling $3,560, which is not included in above figure, in their capacity as members of these committees (2003 $3,016).

(5) The position of Dean, Student Services was created July 1, 2003 by combining the Registrar and Head Counselor positions.

Note 17 Changes in Non-cash Working Capital

	June 30, 2004	June 30, 2003
Accounts receivable	$ (264,320)	$ (30,311)
Inventories	(63,766)	(32,965)
Prepaid expenses	(3,736)	(33,992)
Accounts payable and accrued liabilities	(209,038)	(389,356)
Accrued vacation pay	(28,574)	131,423
Unearned revenue	141,548	3,629
Deferred contributions	364,380	(571,268)
Security deposits held	(119)	(9,624)
Current portion of equipment loan	35,224	-
	$ (28,401)	$ (932,464)

Note 18 Commitments

Future minimum annual lease payments under operating leases are:

2005	$ 408,330
2006	$ 313,136
2007	$ 234,120
2008	$ 132,100
2009 and thereafter	$ 2,163

Note 19 Related Parties

(i) The College is a Provincial Corporation as all members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of the Department of Learning. Grants and other provincial government contributions are described in Note 12.

(ii) On December 18, 1998, the Lieutenant Governor in Council approved the establishment of a corporation, to be owned equally by Northern Lakes College, Portage College, NorQuest College and Bow Valley College. On February 10, 1999, 818196 Alberta Ltd. was incorporated pursuant to the Alberta Business Corporations Act.

The Corporation was created for the purpose of holding jointly developed intellectual property to be transferred from Her Majesty the Queen in Right of the Province of Alberta as represented by the Minister of Learning. As at June 30, 2004 this Corporation was not active and held no assets.

(iii) The College participates in offering certain courses with other Alberta post secondary education institutions. The revenues and expenses incurred for these courses have been included in the consolidated statement of operations at fair value.

Note 20 Operating Segment Information

The following information presents the results of operations of the College by operating segment. The College has three main operating segments which are managed independently and offer differing educational services. The College itself offers numerous credit and non-credit courses, the CCEC offers short-term non-credit courses based on community defined adult learning needs, and the Sunrise Foundation offers university transfer courses. Inter-segment transactions are recorded at fair value.

A) Statement of Financial Position

	June 30, 2004			
	College	CCEC	Sunrise Foundation	Total
Assets				
Total assets	$ 37,631,547	$ 529,346	$ 581,979	$ 38,742,872
Adjustment (1)				(22,330)
Total assets per consolidated statements				$ 38,720,542
Liabilities and Net Assets				
Total liabilities	$ 30,519,809	$ 41,807	$ -	$ 30,561,616
Total net assets	7,111,738	487,539	581,979	8,181,256
	$ 37,631,547	$ 529,346	$ 581,979	38,742,872
Adjustment (1)				(22,330)
Total liabilities and net assets per consolidated statements				$ 38,720,542

B) Statement of Operations

	College	CCEC	Sunrise Foundation	Total
Total revenue	$ 24,737,147	$ 215,745	$ 15,840	$ 24,968,732
Total expense	23,918,190	225,960	13,935	24,158,085
Excess of revenue over expense	$ 818,957	$ (10,215)	$ 1,905	810,647
Adjustment (1)				(3,000)
Total excess of revenue over expense per consolidated statements				$ 807,647

(1) Represents elimination of inter-segment transactions.

Note 21 Budget

The College is required to submit a budget, approved by the Board of Governors of the College, to the Minister of Alberta Learning for his approval. The College Budget for the year ended June 30, 2004 was approved by the Board of Governors on May 8, 2003. The budget for CCEC was approved on March 27, 2003. During the year the Sunrise Board was anticipating the wind down of operations, and therefore a budget for 2003/2004 was not prepared.

	2004			
	College Approved Budget	CCEC Approved Budget	Elimination for Consolidation	Total Budget
Revenue:				
Grants	$ 17,544,963	$ 110,600	$ (93,600)	$ 17,561,963
Tuition and related fees	4,417,975	-	-	4,417,975
Sales, rentals and services	1,213,100	12,000	-	1,225,100
Contract programs	180,750	12,000	(12,000)	180,750
Investment income	188,000	15,000	-	203,000
Gain on disposal of capital assets	25,000	-	-	25,000
Donations and contributions	22,650	800	-	23,450
Miscellaneous	41,100	-	-	41,100
Amortization of deferred capital contributions	1,225,000	-	-	1,225,000
	24,858,538	150,400	(105,600)	24,903,338
Expense:				
Salaries, wages and benefits	14,682,803	-	-	14,682,803
Supplies and services	5,710,960	159,300	(105,600)	5,764,660
Amortization	1,890,000	-	-	1,890,000
Utilities	1,166,775	-	-	1,166,775
Facilities rental	190,200	-	-	190,200
Cost of goods sold	445,000	-	-	445,000
Travel	524,150	10,500	-	534,650
Repairs and maintenance	183,150	-	-	183,150
Scholarships and bursaries	65,500	8,000	-	73,500
	24,858,538	177,800	(105,600)	24,930,738
Excess (deficiency) of revenue over expense	$ -	$ (27,400)	$ -	$ (27,400)

Note 22 Pension Costs

The College participates in the multi-employer Management Employees Pension Plan and Public Service Pension Plan. The expense for these pension plans is equivalent to the annual contributions of $805,175 for the year ended June 30, 2004 (2003 - $598,177).

At December 31, 2003, the Public Service Pension Plan reported an actuarial deficiency of $596,120,000 (2002 - $175,528,000 deficit). Effective September 1, 2003, the employer's contribution rates increased by 1.495% of earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and by 2.6% of the excess.

At December 31, 2003, the Management Employees' Pension Plan reported an actuarial deficiency of $290,014,000 (2002 - $301,968,000 deficit). Effective April 1, 2003, the employer's contribution rate increased by 2.35%.

Note 23 Comparative Figures

Certain comparative amounts have been reclassified where necessary to conform to the current year's financial statement presentation.

Note 24 Approval of Financial Statements

These financial statements were approved by the Board of Governors.

OLDS COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of Olds College

I have audited the consolidated statement of financial position of the Olds College as at June 30, 2004 and the consolidated statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred Dunn FCA
Auditor General

Edmonton, Alberta
October 1, 2004

OLDS COLLEGE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2004

	2004	2003
ASSETS		
Current:		
Cash and short-term investments (Note 3)	$ 3,430,031	$ 3,638,716
Accounts receivable	3,020,302	2,555,828
Inventories (Note 4)	424,786	349,320
	6,875,119	6,543,864
Long-term contributions receivable	100,000	170,000
Long-term investments (Note 3)	5,746,107	5,761,927
Capital assets (Note 5)	28,876,488	29,636,573
	$ 41,597,714	$ 42,112,364
LIABILITIES AND NET ASSETS		
Current:		
Accounts payabie and accrued liabilities	$ 1,198,597	$ 1,403,846
Current portion of long term debt (Note 6)	159,286	179,582
Deferred non-capital grants (Note 9)	925,529	901,878
Unearned revenue (Note 8)	573,865	584,915
Accrued vacation pay	1,340,746	1,215,192
Deferred donations and endowment interest (Note 10)	1,611,671	1,243,879
	5,809,694	5,529,292
Deferred capital contributions (Note 12)	600,780	930,761
Long term debt (Note 6)	3,821,573	3,980,860
Unamortized deferred capital contributions (Note 13)	16,835,279	17,598,981
	27,067,326	28,039,894
Net assets:		
Unrestricted net assets	875,132	1,027,399
Internally restricted (Note 14)	478,060	451,568
Invested in capital assets	8,060,353	7,877,154
Endowments (Note 15)	5,116,843	4,716,349
	14,530,388	14,072,470
	$ 41,597,714	$ 42,112,364

The accompanying notes are part of these consolidated financial statements.

OLDS COLLEGE

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2004

	2004		2003
	Budget (Note 23)	Actual	Actual
Revenue:			
Grants, Province of Alberta (Note 21)	$ 16,780,623	$ 17,042,252	$ 15,711,802
Other grants and training contracts	1,953,072	2,069,929	2,433,154
Tuition and related fees	5,025,598	4,871,863	4,563,785
Sales, rentals and other services (Note 16)	4,766,600	4,896,399	5,104,440
Investment earnings (Note 20)	461,600	761,159	541,493
Donations	769,922	872,261	699,784
Amortization of deferred capital contributions (Note 13)	2,081,956	1,866,756	2,517,830
	31,839,371	32,380,619	31,572,288
Expense:			
Salaries and benefits	18,092,870	18,746,455	17,401,279
Supplies and services	7,158,596	7,300,206	7,435,283
Scholarships and bursaries	146,500	221,999	213,788
Cost of goods sold	1,832,050	1,804,956	1,846,499
Utilities	1,112,929	1,314,172	1,511,468
Amortization of capital assets	3,267,586	2,866,665	2,836,385
Loss on disposal of capital assets	-	68,742	696,701
	31,610,531	32,323,195	31,941,403
Excess (deficiency) of revenue over expense	$ 228,840	$ 57,424	$ (369,115)

The accompanying notes are part of these consolidated financial statements.

OLDS COLLEGE

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2004

	2004						2003
	Unrestricted Net Assets	Internally Restricted Net Assets (Note 14)	Investment in Capital Assets	Total Operating Net Assets	Endowments	Total Net Assets	Total Net Assets
Excess (deficiency) of revenue over expense	$ 57,424	$ -	$ -	$ 57,424	$ -	$ 57,424	$ (369,115)
Endowments contributions				-	351,544	351,544	394,421
Recapitalized endowment earnings				-	48,950	48,950	29,483
Board restrictions	(83,935)	26,492	57,443	-		-	-
Internally funded:							
Capital asset acquisitions	(1,025,324)		1,025,324	-		-	-
Repayment of long-term debt	(179,583)		179,583	-		-	-
Amortization of capital assets	1,000,324		(1,000,324)	-		-	-
Disposal of capital assets	78,827		(78,827)	-		-	-
(Decrease)increase in net assets	(152,267)	26,492	183,199	57,424	400,494	457,918	54,789
Net asset balance, beginning of year	1,027,399	451,568	7,877,154	9,356,121	4,716,349	14,072,470	14,017,681
Net asset balance, end of year	$ 875,132	$ 478,060	$ 8,060,353	$ 9,413,545	$ 5,116,843	$ 14,530,388	$ 14,072,470

The accompanying notes are part of these consolidated financial statements.

OLDS COLLEGE

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2004

	2004	2003
Operating activities:		
Excess (deficiency) of revenue over expense	$ 57,424	$ (369,115)
Amortization of deferred capital contributions	(1,866,756)	(2,517,830)
Amortization of capital assets	2,866,665	2,836,385
Loss on disposal of capital assets	68,742	696,701
	1,126,075	646,141
Net change in non-cash working capital (Note 17)	(239,242)	(1,026,212)
Cash flow from operating activities	886,833	(380,071)
Investing activities:		
Proceeds (purchase) of long-term investments, net	15,820	(888,877)
Purchase of externally funded capital assets	(1,103,054)	(728,958)
Purchase of internally funded capital assets	(1,082,769)	(2,082,992)
Proceeds from disposal of capital assets	10,500	93,237
Cash applied to investing activities	(2,159,503)	(3,607,590)
Financing activities:		
Repayment of long term debt	(179,583)	(81,724)
Long-term debt issued	-	800,000
Decrease in contributions receivable	70,000	180,000
Capital contributions received	756,873	1,243,784
Donated Equipment	16,201	84,326
Endowments contributions received	400,494	423,904
Cash generated from financing activities	1,063,985	2,650,290
Decrease in cash and short-term investments	(208,685)	(1,337,371)
Cash and short-term investments, beginning of year	3,638,716	4,976,087
Cash and short-term investments, end of year	$ 3,430,031	$ 3,638,716

The accompanying notes are part of these consolidated financial statements.

OLDS COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004

Note 1 Authority

Olds College operates under the authority of the Post-secondary Learning Act, Statutes of Alberta 2003, Chapter P-19.5.

The College is a public institution preparing individuals for business management, production and technical careers in agriculture, horticulture and land management. In addition to granting diplomas and certificates, the College offers other programs in a variety of formats for the learning needs of the greater community.

The College is a registered charity and is exempt from payment of income tax under Section 149 of the Income Tax Act.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) General

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these statements requires the use of estimates, which may vary from actual results. Such estimates have been made using judgments determined by management. In management's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below.

(b) Consolidated Statements

These consolidated financial statements include the accounts of the Olds College Foundation, which operates under Part 9 of the Alberta Companies Act and the Olds College Centre for Innovation Inc., a wholly-owned subsidiary incorporated under the Business Corporations Act of Alberta.

The Olds College Foundation is a charitable organization whose purpose is to obtain donations on behalf of the College. The Foundation transfers donated funds to the College, but retains administrative control over the use of the funds.

Olds College Centre for Innovation Inc. was incorporated on April 4, 2000 and commenced operations on July 1, 2000. The Centre was established for the purpose of furthering the amount of participation in applied research undertaken by Olds College students and faculty.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(c) Revenue Recognition

Operating grants are recognized as revenue in the period when receivable. Operating grants received for a future period are reflected as deferred revenue.

Amounts received for tuition fees and sale of goods and services are deferred and recognized as revenue at the time the goods are delivered or the services are provided.

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts may only be used for purposes designated by the external party.

Any externally restricted contributions containing stipulations that the amounts should be retained as net assets or that the contributions should not be expended, including endowments, are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property such as land.

Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts of external contributions invested in capital assets are then transferred to unamortized deferred capital contributions. These amounts are recognized as revenue in the periods in which the related amortization expense of the funded capital assets are recorded.

Unrestricted contributions are recognized as revenue in the period when they are received.

Contributions of materials and services that would otherwise have been purchased are recorded at fair value, if reasonably determined.

(d) Inventories

Inventory of bookstore merchandise is maintained using the first-in first-out method, and is valued at the lower of cost and net realizable value. Livestock is valued at net realizable value.

(e) Investments

Short-term investments with a maximum of one year are comprised primarily of certificates of deposit, guaranteed investment certificates, government treasury bills and commercial paper. These investments are recorded at the lower of cost or market. Market value generally approximates cost given the short-term nature and high credit quality of the investments. Long-term investments are recorded at cost or amortized cost where applicable. Gains or losses on investments are recognized at realization, or when there is an other than temporary impairment in the value of an investment.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(f) Capital Assets

The Province of Alberta, Department of Infrastructure transferred land, certain buildings and renovations to the College. The land is recorded at April 1978 fair value and the buildings and renovations and certain library materials are recorded at April 1978 depreciated replacement cost as determined by an independent appraisal. Acquisitions of capital assets since April 1, 1978 are recorded at cost, except for donated capital assets which are recorded at cost as approximated by fair value.

The Province of Alberta has been granted an option to purchase the whole or any part of the transferred land, buildings, and renovations for $1 per purchase.

Capital assets are amortized on a straight-line basis over the following estimated useful lives:

Site improvements	40 years
Buildings	15-40 years
Furnishings, equipment and computer hardware	2-15 years

Buildings under construction includes the direct construction and overhead costs directly attributable to the construction.

(g) Employee Future Benefits

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provide pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's deficit or surplus is not recorded by the College.

(h) Financial Instruments

The fair value of the College's accounts receivable, accounts payable and accrued vacation pay approximate their carrying values due to the relatively short periods to maturity for these instruments.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(i) Credit, Interest Rate and Market Risk

The College's accounts receivable are due from a diverse group of customers and are subject to normal credit risk.

Interest rate risk is the risk to the College's earnings that arise from the fluctuations in interest rates and the degree of volatility of these rates.

Market risk is the risk to the College's earnings that arises from the fluctuations and degree of volatility in the market value of its long-term investments.

Note 3 Cash and Investments

The amount held as long-term investments represents funds not available for current operations and includes endowments, deferred contributions externally restricted for capital purposes, and net assets internally restricted for capital purposes.

	2004	2003
Endowments	$ 5,116,843	$ 4,716,349
Deferred capital contributions (Note 12)	600,780	930,761
Internally restricted net assets, capital (Note 14)	28,484	114,817
Held as long-term investments	5,746,107	5,761,927
Cash and short-term investments	3,430,031	3,638,716
Total cash and investments	$ 9,176,138	$ 9,400,643

Cash and investments are summarized as follows:

	2004		2003	
	Cost	Market Value	Cost	Market Value
Cash and short-term investments	$ (674,709)	$ (674,709)	$ 387,333	$ 387,333
Fixed income - bonds and deposit notes	2,862,189	2,946,856	2,397,523	2,468,961
Convertible debt	705,532	781,550	311,308	314,500
Equities and income trusts	6,283,126	6,467,083	6,304,479	5,958,707
	$ 9,176,138	$ 9,520,780	$ 9,400,643	$ 9,129,501

Note 3 Cash and Investments (continued)

Within the investment portfolio, there are securities at costs that are in excess of market value. These securities have not been written down to market value, because management has concluded, based on review of market information for the securities, that impairment is temporary.

Maturity dates are summarized as follows:

	Term to Maturity			2004	2003
	Within 1 Year	1 to 5 Years	6 Years or Greater	Total	Total
Bonds and Debentures:					
Other provincial	$ -	$ 303,750	$ 195,540	$ 499,290	$ 746,593
Other government and corporate bonds	114,812	895,401	1,352,686	2,362,899	1,505,086
US Corporate Bonds	-	-	-	-	145,844
	$ 114,812	$ 1,199,151	$ 1,548,226	$ 2,862,189	$ 2,397,523
Yield				4.97%	4.21%
Fair Value				2,946,856	2,434,722
	114,812	1,199,151	1,548,226	2,862,189	2,397,523
Accrued Interest	1,002	20,131	16,692	37,825	48,037
	$ 115,814	$ 1,219,282	$ 1,564,918	$ 2,900,014	$ 2,445,560

Realized return includes interest and dividend income and gains and losses on disposal of investments.

The Board of Governors, through its Human Resources, Finance and Technology Committee, monitors the performance of the investment portfolio. The prime objective and guiding principles of the College's investment policy is to enhance the value of the funds, and at the same time provide a dependable, increasing source of income to support the operating budget, while preventing undue exposure to risk. The four criteria that guide the College's investment policy are safety, growth, liquidity and congruence with our mission. The investments are managed on a day-to-day basis by College staff and an external investment manager.

The investment fund policy allows for all of the funds to be invested in fixed income, short-term investments and equity investments.

Note 4 Inventories

	2004	2003
Livestock, feed and supplies	$ 303,926	$ 233,978
Bookstore merchandise and other	120,860	115,342
	$ 424,786	$ 349,320

Note 5 Capital Assets

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 2,332,859	$ -	$ 2,332,859	$ 2,321,348
Site improvements	2,855,725	710,994	2,144,731	2,171,289
Buildings	49,871,943	30,748,937	19,123,006	20,375,149
Furnishings and equipment	15,759,107	10,483,215	5,275,892	4,768,787
	$ 70,819,634	$ 41,943,146	$ 28,876,488	$ 29,636,573

Capital assets have been funded as follows:

	2004	2003
Unamortized deferred capital contributions	$ 16,835,279	$ 17,598,981
Internally funded investment in capital assets	8,060,353	7,877,154
Long term debt	3,980,856	4,160,438
	$ 28,876,488	$ 29,636,573

Note 6 Long Term Debt

The College acquired long term debt to finance the construction of student residence town houses. Phase one construction was completed during September 1998 and Phase Two was completed in September 1999.

Phase one is partially funded through a debt instrument amortized over 15 years ending June 11, 2018, with a monthly resetting banker's acceptance interest rate. This rate was 2.055% at June 30, 2004.

Phase two is funded through a debenture from Alberta Capital Finance Authority that is due April 1, 2024 and has a fixed interest rate of 5.75%.

The College also purchased 613 acres of farm land during February 2003. This land was partially funded through a 5.625% fixed interest rate debenture from Alberta Capital Finance Authority that is due February 14, 2018. This loan is secured by the farm land.

Note 6 Long Term Debt (continued)

The fair value of the phase one loan is equal to its carrying value due to the nature of the loan. The fair values of the phase two and the farm land loans are not readily determinable due to the lack of a market for these loans.

June 30, 2004 long term debt:

	Outstanding Principal		Mortgage Payment Requirements				
	Long term	Current	2005	2006	2007	2008	2009
Phase One	$ 1,356,000	$ 72,000	$ 142,211	$ 139,741	$ 146,697	$ 142,579	$ 140,420
Phase Two	1,738,290	49,933	152,756	152,756	152,756	152,756	152,756
Farm land	727,283	37,353	80,364	80,364	80,364	80,364	80,364
	$ 3,821,573	$ 159,286	$ 375,331	$ 372,861	$ 379,817	$ 375,699	$ 373,540

Interest of $220,376 (2003 - $199,297) has been charged to expense during the year.

Note 7 Interest Rate Swap

The College has entered into an interest rate swap, a derivative financial instrument, for risk management purposes. The interest rate swap is used to manage the College's exposure to fluctuations in interest rates with its phase one student residence long term debt. The College is not using hedge accounting for this interest rate swap. Therefore, the interest rate swap is recorded on the statement of financial position at its fair value. Gains or losses are recorded on the statement of operations.

The notional amount of the interest rate swap at June 30, 2004 is $1,428,000 (2003 - $1,500,000) at a fixed interest rate of 5.09% which expires in 2018. The fair value of the interest rate swap is $20,247 (2003 – nil). Fair value is determined by the College's financial institution who has arranged the interest rate swap.

Note 8 Unearned Revenue

	2004	2003
Tuition fees	$ 312,962	$ 258,217
Research	119,143	36,201
Program delivery/Extension services	49,781	187,582
Prepaid lease revenue	63,840	85,120
Other	28,139	17,795
	$ 573,865	$ 584,915

Note 9 Deferred Non-Capital Grants

	2004	2003
Infrastructure grant	$ 428,000	$ 374,101
Research grants	294,576	527,777
Education program delivery grant	202,953	-
	$ 925,529	$ 901,878

Note 10 Deferred Donations and Endowment Interest

Deferred donations and endowment interest represent the unexpended portion of amounts received for specific purposes.

	2004	2003
Contributions received during the year:		
Donations	$ 658,865	$ 502,964
Restricted investment income	351,670	193,605
	1,010,535	696,569
Transferred to:		
Donations revenue	(425,596)	(393,126)
Investment income revenue	(217,147)	(197,663)
	(642,743)	(590,789)
Increase during the year	367,792	105,780
Balance, beginning of year	1,243,879	1,138,099
Balance, end of year	$ 1,611,671	$ 1,243,879
The balance is restricted for:		
Endowment scholarships	$ 388,315	$ 239,384
Staff development	42,548	42,548
Programs and projects	1,180,808	961,947
	$ 1,611,671	$ 1,243,879

Note 11 Pension Expense

The pension expense recorded in these financial statements is equivalent to the College's annual contributions payable of $808,981 for the year ended June 30, 2004 (2003 - $705,243).

At December 31, 2003, the Local Authorities Pension Plan reported a deficiency of $1,410,987,000 (2002 deficiency - $444,980,000).

Note 12 Deferred Capital Contributions

	2004	2003
Received during the year:		
Furniture, equipment and computers grants	$ 560,289	$ 481,152
Canadian Foundation for Innovation grant	173,867	773,709
James Murray building addition grant	60,928	57,678
Donated equipment	16,201	84,326
Infrastructure renewal grant	-	3,211
	811,285	1,400,076
Transfers to unamortized deferred capital contributions:		
Furniture, equipment and computers	556,289	232,902
Canadian Foundation for Innovation	418,470	250,186
James Murray building addition	60,928	57,678
Heavy duty apprentice equipment	45,376	94,360
Donated equipment	16,201	84,326
Windrow turner	5,790	2,346
Animal Health Technician grant	-	3,949
Infrastructure renewal	-	3,211
	1,103,054	728,958
Transfers to revenue:		
Furniture, equipment and computers grant	38,212	-
Canadian Foundation for Innovation grant	-	68,814
Animal Health Technician grant	-	3,152
	38,212	71,966
(Decrease) increase during the year	(329,981)	599,152
Balance, beginning of year	930,761	331,609
Balance, end of year	$ 600,780	$ 930,761

Note 12 Deferred Capital Contributions (continued)

	2004	2003
The balance is comprised of:		
Agricultural mechanics equipment	$ 124,214	$ 169,590
Research equipment	476,566	722,959
Other equipment	-	38,212
	$ 600,780	$ 930,761

Note 13 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions are amounts of external capital contributions used to fund capital asset purchases which will be recognized as revenue in the future.

	2004	2003
Balance, beginning of year	$ 17,598,981	$ 19,387,853
Amount transferred from deferred capital contributions (Note 12)	1,103,054	728,958
Amortization of deferred capital contributions	(1,866,756)	(2,517,830)
Balance, end of year	$ 16,835,279	$ 17,598,981

Note 14 Internally Restricted Net Assets

Net assets internally restricted by the Board are amounts set aside by the College's Board of Governors that are to be used for only designated purposes. The Board of Governors has placed internal restrictions on operating net assets as follows:

	2004	2003
Capital:		
Farm capital renewal	$ 28,484	$ 114,817
Non-capital:		
Foundation projects	406,519	292,694
Departmental projects	31,057	31,057
Scholarships	12,000	13,000
	449,576	336,751
	$ 478,060	$ 451,568

Note 15 Endowments

Endowments consist of restricted donations to the College, the principal of which is required to be maintained intact in perpetuity. The investment income generated from endowments must be used in accordance with the various purposes established by the donors. Benefactors as well as College policy stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended and reinvesting unexpended income.

	Principal					
	June 30, 2003 Balance	Donations	Interest Capitalized	June 30, 2004 Balance	Expendable Investment Income Earned	Investment Income Expended
Scholarships	$ 2,066,090	$ 350,544	$ 7,046	$ 2,423,680	$ 170,737	$ 78,861
Faculty Development Fund	1,500,979	-	24,151	1,525,130	96,604	96,604
General	1,149,280	1,000	17,753	1,168,033	84,329	41,682
	$ 4,716,349	$ 351,544	$ 48,950	$ 5,116,843	$ 351,670	$ 217,147

Note 16 Sales, Rentals and Other Services

Sales, rentals and other services revenue are summarized as follows:

	2004	2003
Conference and food services	$ 1,549,173	$ 1,639,944
Residence	1,189,852	1,136,136
Bookstore	743,845	699,637
Rentals & other	554,946	594,283
Academic program ancillary	441,802	399,868
Farm operations	416,781	634,572
	$ 4,896,399	$ 5,104,440

Note 17 Net Changes in Non-cash Working Capital

	2004	2003
(Increase) in accounts receivable	$ (464,474)	$ (767,413)
(Increase) decrease in inventories	(75,466)	113,840
(Decrease) increase in accounts payable	(205,249)	719,237
Increase (decrease) in deferred non-capital grants	23,651	(165,914)
(Decrease) in deferred revenue	(11,050)	(933,584)
Increase (decrease) in accrued vacation pay	125,554	(98,158)
Increase in deferred donations and endowment interest	367,792	105,780
	$ (239,242)	$ (1,026,212)

Note 18 Salaries and Benefits

The Province of Alberta's Treasury Board Salary and Benefits Disclosure Directive dated July 6, 2004 requires the College to disclose certain salaries and benefits. These salaries and benefits are as follows:

	2004				2003
	Base Salary[1]	Other Cash Benefits[2]	Other Non-cash Benefits[3]	Total	Total
Chairman of the Board	$ -	$ 7,200	$ 323	$ 7,523	$ 15,60
Board members		28,546	839	29,385	28,96
President	146,297	9,160	15,182	170,639	153,76
Vice-President, Academic	112,543	190	19,788	132,521	127,28
Vice-President, Student and Support Services	110,295	190	19,980	130,465	119,23
Executive Director, Olds College Foundation	93,920	5,000	13,749	112,669	105,23
Chief Operating Officer, Olds College Centre for Innovation	100,272	11,844	22,283	134,399	116,89
	$ 563,327	62,130	$ 92,144	$ 717,601	$ 666,97

(1) Base salary includes pensionable base pay.

(2) Other cash-benefits include honoraria, car allowances, bonuses, payment of vacation entitlements and health and wellness benefits.

(3) Other non-cash benefits include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental and vision coverage, group life insurance, employment insurance and tuition fees.

Note 19 Funds Held on Behalf of Others

Olds College holds funds in trust for several organizations as follows:

	2004	2003
Student Association	$ 574,848	$ 501,000
Big Country Educational Consortium	513,609	698,486
Other	144,702	108,759
	$ 1,233,159	$ 1,308,245

These amounts are not included in the consolidated financial statements.

Note 20 Investment Earnings

	2004	2003
Restricted investment income on resources held for endowment	$ 400,619	$ 223,089
Unrestricted investment income	544,012	343,829
Total investment income	944,631	566,918
Transfer (to) from deferred donations and endowment interest	(134,522)	4,058
Amounts credited directly to endowment principal	(48,950)	(29,483)
	$ 761,159	$ 541,493

Note 21 Related Party Transactions

The College is a Provincial Corporation as all members of the Board of Governors are appointed either by statute or by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning. Transactions between the College and the Province are disclosed in the Consolidated Statement of Revenue and Expense and Consolidated Balance Sheet and are as follows:

	2004		
	Revenue	Deferred Revenue	Deferred Contributions and UDCC
Operating & Performance grant	$ 14,734,476	$ -	$ -
Access Funding	852,933	122,000	-
Extension Services grants	191,061	57,242	-
Infrastructure renewal	797,101	53,898	-
Centre for Innovation	251,781	(233,201)	108,911
Miscellaneous grants	214,900	23,712	-
	$ 17,042,252	$ 23,651	$ 108,911

	2003		
	Revenue	Deferred Revenue	Deferred Contributions and UDCC
Operating & Performance grant	$ 13,802,327	$ -	$ -
Access Funding	664,342	-	-
Extension Services grants	161,602	25,546	-
Infrastructure renewal	604,839	608,049	(3,211)
Centre for Innovation	100,665	(9,811)	-
Miscellaneous grants	378,027	20,531	152
	$ 15,711,802	$ 644,315	$ (3,059)

During the year, Olds College had business transactions with Big Country Educational Consortium, Southern Alberta Institute of Technology, Northern Alberta Institute of Technology, Red Deer College, Lakeland College, University of Calgary, University of Alberta and the University of Lethbridge. These transactions were at market prices on normal terms of purchase and sale and have been included in the Statement of Revenue and Expense.

Note 22 Comparative Figures

Certain 2003 figures have been reclassified to conform to the 2004 presentation.

Note 23 Budget

The College is required to submit a budget, approved by the Board of Governors of the College, to the Minister of Alberta Learning. The College budget for the year ended June 30, 2004 was approved by the Board of Governors on April 23, 2003.

Note 24 Approval of Financial Statements

The Board of Governors approved these financial statements.

OLDS COLLEGE CENTRE FOR INNOVATION INC.

FINANCIAL STATEMENTS

JUNE 30, 2004

Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Directors of Olds College Centre for Innovation Inc.

I have audited the statement of financial position of the Olds College Centre for Innovation Inc. as at June 30, 2004 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at June 30, 2004 and the results of its operations, changes in net assets, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
October 5, 2004

OLDS COLLEGE CENTRE FOR INNOVATION INC.

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2004

	2004	2003
ASSETS		
Current:		
Accounts receivable	$ 1,114,129	$ 1,118,384
	1,114,129	1,118,384
Long-term contributions receivable	-	18,000
Capital assets (Note 4)	707,061	678,883
	$ 1,821,190	$ 1,815,267
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable	$ 153,513	$ 116,490
Deferred contributions (Note 5)	330,168	520,680
Deferred revenue	70,278	23,504
Accrued vacation pay	43,734	40,541
	597,693	701,215
Due to Olds College (Note 3)	839,696	464,739
Deferred capital contributions (Note 6)	24,000	20,000
Unamortized deferred capital contributions (Note 7)	695,602	667,647
	2,156,991	1,853,601
Net assets:		
Unrestricted net deficiency	(347,260)	(49,570)
Net investment in capital assets	11,459	11,236
	(335,801)	(38,334)
	$ 1,821,190	$ 1,815,267

* The accompanying notes are part of these financial statements.

OLDS COLLEGE CENTRE FOR INNOVATION INC.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2004

	2004		2003
	Budget	Actual	Actual
Revenue:			
Grants, Province of Alberta	$ 893,888	$ 250,589	$ 107,874
Other grants and contracts	962,521	892,580	1,089,203
Sales and other services	179,708	61,181	65,955
Contribution from Olds College	-	205,699	142,037
Amortization of deferred capital contributions	75,000	77,829	67,309
	2,111,117	1,487,878	1,472,378
Expense:			
Salaries and benefits	1,165,838	1,048,216	941,413
Supplies and services	843,995	646,895	459,365
Utilities	20,000	10,507	16,057
Amortization of capital assets	75,000	79,727	68,783
	2,104,833	1,785,345	1,485,618
Excess (shortfall) of revenue over expense	$ 6,284	$ (297,467)	$ (13,240)

* The accompanying notes are part of these financial statements.

OLDS COLLEGE CENTRE FOR INNOVATION INC.

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2004

	2004			2003
	Unrestricted Net Deficiency	Investment in Capital Assets	Total Net Assets	Total Net Assets
Shortfall of revenue over expense	$ (297,467)	$ -	$ (297,467)	$ (13,240)
Acquisition of capital assets	(2,121)	2,121	-	-
Amortization of capital assets	1,898	(1,898)	-	-
Increase(decrease) in net assets	(297,690)	223	(297,467)	(13,240)
Balance, beginning of year	(49,570)	11,236	(38,334)	(25,094)
Balance, end of year	$ (347,260)	$ 11,459	$ (335,801)	$ (38,334)

* The accompanying notes are part of these financial statements.

OLDS COLLEGE CENTRE FOR INNOVATION INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2004

	2004	2003
Operating activities:		
Shortfall of revenue over expense	$ (297,467)	$ (13,240)
Amortization of deferred capital contributions	(77,829)	(67,309)
Amortization of capital assets	79,727	68,783
	(295,569)	(11,766)
Net changes in non-cash operating working capital (Note 10)	(99,267)	(621,339)
Cash flow from operating activities	(394,836)	(633,105)
Investing activities:		
Long-term contribution receivable	18,000	(18,000)
Acquisition of capital assets	(107,905)	(182,220)
Cash applied to investing activities	(89,905)	(200,220)
Financing activities:		
Due to Olds College (Note 3)	374,957	658,686
Capital contributions received (Note 6)	109,784	174,639
Cash generated from financing activities	484,741	833,325
Increase in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	$ -	$ -

* The accompanying notes are part of these financial statements.

OLDS COLLEGE CENTRE FOR INNOVATION INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2004

Note 1 Authority

Olds College Centre for Innovation Inc. (OCCI) was incorporated on April 4, 2000 under the Business Corporations Act (Alberta) and commenced business on July 1, 2000.

OCCI is a wholly-owned subsidiary of Olds College established for the purpose of furthering the amount of participation in applied and product research, business and human resource development undertaken by Olds College students and faculty.

Effective July 1, 2004, the operations, assets and liabilities of the Olds College Centre for Innovation Inc. will be transferred into the School of Innovation Department of Olds College. The recent enactment of the Post Secondary Learning Act have enhanced the ability of Olds College to carry out research activities, programs and undertakings such as those currently being carried out by the Olds College Centre for Innovation Inc.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these statements requires the use of estimates, which may vary from actual results. The following accounting policies and reporting practices are considered significant.

(b) Revenue Recognition

Operating grants are recognized as revenue in the period when receivable. Operating grants received for a future period are reflected as deferred contributions.

Amounts received for sale of goods and services are deferred and recognized as revenue at the time the goods are delivered or the services are provided.

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts may only be used for purposes designated by the external party.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(b) Revenue Recognition (continued)

Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized deferred capital contributions and deferred to future years. These amounts are recognized as revenue in the periods in which the related amortization expense of the funded capital assets are recorded. The related portion of amortization expense and capital contributions revenue are matched to indicate that the related amortization expense has been funded externally.

Unrestricted contributions are recognized as revenue when they are received.

(c) Capital Assets

Capital assets are amortized on a straight-line basis over the following useful lives:

Site improvements	40 years
Furnishings, equipment and computer hardware	2-15 years

(d) Employee Future Benefits

The Centre participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the Centre's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The Centre's portion of the pension plan's deficit or surplus is not recorded by the Centre.

(e) Financial Instruments

The fair value of the Centre's accounts receivable, accounts payable and accrued vacation pay approximate their carrying values due to the relatively short periods to maturity for these instruments.

Note 3 Due to/from Olds College

Cash is managed and invested by Olds College in accordance with the College's Investment Policy.

The prime objective and guiding principles of the investment policy is to enhance the value of the funds, and at the same time provide a dependable, increasing source of income to support the operating budget, while preventing undue exposure to risk. The investment fund policy allows for all of the funds to be invested in fixed income, short-term investments and equity investments.

Note 4 Capital Assets

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Site improvements	$ 134,594	$ 4,436	$ 130,158	$ 92,140
Furnishings, equipment and computer hardware	787,445	210,542	576,903	586,743
	$ 922,039	$ 214,978	$ 707,061	$ 678,883

Note 5 Deferred Contributions

	2004	2003
Received during the year:		
Administration grants	$ 46,550	$ 9,811
	46,550	9,811
Expended during the year:		
Administration grants	10,479	26,404
Research funds	226,583	223,793
	237,062	250,197
Decrease during the year	(190,512)	(240,386)
Balance, beginning of year	520,680	761,066
	$ 330,168	$ 520,680
Balance is comprised of:		
Administration grants	52,316	16,245
Research fund	277,852	504,435
	$ 330,168	$ 520,680

Note 6 Deferred Capital Contributions

	2004	2003
Received during the year:		
Laboratory equipment	$ 68,402	$ 102,078
Laboratory improvements	41,382	72,561
	109,784	174,639
Transfers to unamortized deferred capital contributions (Note 7):		
Compost site improvements and equipment	-	2,347
Laboratory improvements	41,382	72,561
Laboratory equipment	64,402	102,078
	105,784	176,986
Increase (decrease) during the year	4,000	(2,347)
Balance, beginning of year	20,000	22,347
Balance, end of year	$ 24,000	$ 20,000

Note 7 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent external funding of capital assets which will be recognized as revenue in the future.

	2004	2003
Balance, beginning of year	$ 667,647	$ 557,970
Amount transferred from deferred capital contributions (Note 6)	105,784	176,986
Amount transferred to revenue	(77,829)	(67,309)
Balance, end of year	$ 695,602	$ 667,647

Note 8 Salaries and Benefits

The Province of Alberta's Treasury Board Salary and Benefits Disclosure Directive dated December 16, 1998, updated July 6, 2004, requires the Centre to disclose certain salaries and benefits. These salaries and benefits are as follows:

	2004				2003
	Base Salary[1]	Other Cash Benefits[2]	Other Non-cash Benefits[3]	Total	Total
Managing Director	$ 27,440	$ 3,800	$ 2,055	$ 33,295	$ 13,479
Board Members	700	-	21	721	2,240
Chief Executive Officer	100,332	11,844	22,283	134,459	116,892
	$ 128,472	$ 15,644	$ 24,359	$ 168,475	$ 132,611

[1] Base salary includes pensionable base pay.

[2] Other cash benefits include bonuses, vacation payments, overtime, and lump sum payments.

[3] Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental and vision coverage, out of country medical benefits, group life insurance, employment insurance, professional memberships and tuition fees. Other non-cash benefits figure also includes the Employer's share of the cost of additional benefits including sabbaticals or other special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances, and club memberships.

Note 9 Pension Expense

The pension expense recorded in these financial statements is equivalent to the Centre's annual contributions payable of $21,717 for the year ended June 30, 2004 (2003 - $18,862).

At December 31, 2003, the Local Authorities Pension Plan reported a deficiency of $1,410,987,000 (2002 - $444,980,000). Effective January 1, 2003, the employers' contribution rates were increased by 0.5%. Rates were increased further January 1, 2004 by 1.077%.

Note 10 Net Changes in Non-cash Working Capital

	2004	2003
Decrease (increase) in accounts receivable	$ 4,255	$ (462,590)
Increase in accounts payable	37,023	78,732
Decrease in deferred contributions	(190,512)	(240,386)
Increase (decrease) in deferred revenue	46,774	(11,408)
Increase in accrued vacation pay	3,193	14,313
	$ (99,267)	$ (621,339)

Note 11 Related Party Transactions

Olds College Centre for Innovation Inc. is a wholly owned subsidiary of Olds College. As a result of this ownership, the Olds College Centre for Innovation Inc. reports activities between Olds College and the Province of Alberta as related party activity.

A contribution of $205,699 (2003-$142,037) has been reflected in these financial statements as a contribution from Olds College. It is equal to the amortization cost of buildings and equipment owned by Olds College but under the exclusive use of the Olds College Centre for Innovation Inc.

Olds College provides certain administrative services and accommodations at no cost to the Centre. The cost of these services and accommodations are not reflected in these financial statements.

Transactions between the Centre and the Province are disclosed in the Statement of Operations and Statement of Financial Position. Related party transactions with the Province include $250,589 (2003 - $107,874) of revenue, $206,815 (2003 - $139,437) of accounts receivable, $283,618 (2003 - $514,247) deferred contributions, $248,679 (2003 - $168,391) deferred capital contributions and unamortized deferred capital contributions.

Note 12 Tax Status

Olds College Centre for Innovation Inc. was incorporated on April 4, 2000 under the Business Corporations Act (Alberta) as a for-profit organization. However, the Centre has from the date of incorporation, conducted its activities and operations in a manner consistent with a not-for-profit organization.

The Centre filed Amended and Restated Articles of Incorporation on March 10, 2003, reinforcing the operation as a not-for-profit organization. A not-for-profit information return for the fiscal year ended June 30, 2003 was filed with Canada Revenue Agency on November 4, 2003 with a letter stating the Centre has been conducting its operations as a not-for-profit organization.

A tax interpretation on the operations of the Olds College Centre for Innovation Inc. was still outstanding at the date of these financial statements. Management believes that the Centre has been operating as a not-for-profit organization. If Canada Customs and Revenue Agency do not register the Centre as a not-for-profit organization, the Centre could be liable for tax on its operations for the year ended June 30, 2004.

Note 13 Comparative Figures

Certain 2003 figures have been reclassified to conform to 2004 presentation.

Note 14 Budget

The OCCI Board of Directors approved the budget for the Centre on April 7, 2003.

Note 15 Approval of Financial Statements

The Board of Directors approved these financial statements.

PORTAGE COLLEGE
FINANCIAL STATEMENTS
JUNE 30, 2004

Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to the Financial Statements

Schedule 1 - Continuing Education Programming

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of Portage College

I have audited the statement of financial position of Portage College as at June 30, 2004 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred Dunn FCA
Auditor General

Edmonton, Alberta
September 24, 2004

PORTAGE COLLEGE

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2004

	2004	2003
ASSETS		
Current:		
Cash and cash equivalents (Note 3)	$ 3,114,322	$ 2,257,975
Investments (Note 4)	736,237	403,933
Accounts receivable (Note 5)	1,028,440	797,087
Inventories (Note 6)	195,320	169,183
Prepaid expenses	156,226	115,100
	5,230,545	3,743,278
Non-current cash and cash equivalents (Note 3)	534,936	439,484
Capital assets (Note 7)	32,361,974	32,713,830
	$ 38,127,455	$ 36,896,592
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 929,073	$ 425,397
Accrued vacation pay	1,036,811	1,219,180
Unearned revenue (Note 8)	504,615	219,182
Deferred contributions (Note 9)	1,014,626	751,514
	3,485,125	2,615,273
Deferred capital contibutions (Note 10)	214,320	-
Unamortized deferred capital contributions (Note 11)	28,778,859	29,148,937
	32,478,304	31,764,210
Net assets:		
Unrestricted net assets	706,657	303,563
Internally restricted net assets (Note 12)	914,776	883,926
Invested in capital assets	3,583,116	3,564,893
	5,204,549	4,752,382
Endowments (Note 3)	444,602	380,000
	5,649,151	5,132,382
	$ 38,127,455	$ 36,896,592

The accompanying notes and schedule are part of these financial statements.

PORTAGE COLLEGE

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2004

	2004		2003
	Budget (Note 23)	Actual	Actual
Revenue:			
Grants and provincial government contributions (Note 21)	$ 14,059,580	$ 14,430,519	$ 13,588,170
Tuition and related fees	3,147,303	2,830,966	2,341,931
Contract income	977,894	1,483,549	1,064,815
Sales, rentals and services (Note 13)	1,767,411	1,765,300	1,465,746
Donations and contributions	86,215	159,610	91,254
Investment income (Note 14)	89,075	126,609	112,416
Amortization of deferred capital contributions (Note 11)	1,010,058	1,039,786	1,079,315
Miscellaneous	135,000	279,994	447,672
	21,272,536	22,116,333	20,191,319
Expense (Note 15):			
Salaries, wages and benefits (Note 16)	12,789,208	13,534,231	12,552,721
Supplies and services	5,632,809	5,586,079	4,823,759
Utilities	846,077	713,326	808,767
Scholarships and bursaries	89,900	105,439	80,964
Amortization	1,653,196	1,725,091	1,740,789
	21,011,190	21,664,166	20,007,000
Excess of revenue over expense	$ 261,346	$ 452,167	$ 184,319

The accompanying notes and schedule are part of these financial statements.

PORTAGE COLLEGE

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2004

	2004					2003
	Unrestricted Net Assets	Internally Restricted Net Assets (Note 12)	Invested in Capital Assets	Endowments (Note 3)	Total	Total
Excess of revenue over expense	$ 452,167	$ -	$ -	$ -	$ 452,167	$ 184,319
Endowment contributions received	-	-	-	64,602	64,602	151,325
Transfers for:						
Internally restricted net assets (Note 12)	(30,850)	30,850	-	-	-	-
Amortization of internally funded capital assets	702,134	-	(702,134)	-	-	-
Acquisition of internally funded capital assets	(720,357)	-	720,357	-	-	-
Increase in net assets	403,094	30,850	18,223	64,602	516,769	335,644
Net assets, beginning of year	303,563	883,926	3,564,893	380,000	5,132,382	4,796,738
Net assets, end of year	$ 706,657	$ 914,776	$ 3,583,116	$ 444,602	$ 5,649,151	$ 5,132,382

The accompanying notes and schedule are part of these financial statements.

PORTAGE COLLEGE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2004

	2004	2003
Cash generated from (used by):		
Operating activities:		
Excess of revenue over expense	$ 452,167	$ 184,319
Non-cash transactions		
Amortization of deferred capital contributions (Note 11)	(1,039,786)	(1,079,315)
Amortization of capital assets	1,725,091	1,740,789
Loss (gain) on sale of capital assets	(10,170)	1,045
	1,127,302	846,838
Changes in non-cash working capital (Note 18)	571,236	(202,469)
Cash generated from operating activities	1,698,538	644,369
Investing activities:		
Net increase in non-current cash	(95,452)	(151,325)
Acquisition of capital assets - internally funded	(720,357)	(617,268)
Acquisition of capital assets - externally funded	(669,708)	(21,679)
Proceeds on sale of capital assets	27,000	-
Cash applied to investing activities	(1,458,517)	(790,272)
Financing activities:		
Capital contributions (Note 10)	884,028	21,679
Endowment contributions - external	64,602	151,325
Cash generated from financing activities	948,630	173,004
Increase in cash, cash equivalents and investments	1,188,651	27,101
Cash, cash equivalents and investments at beginning of year	2,661,908	2,634,807
Cash, cash equivalents and investments at end of year	$ 3,850,559	$ 2,661,908

The accompanying notes and schedule are part of these financial statements.

PORTAGE COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2004

Note 1 Authority and Purpose

Portage College (the "College") operates under the authority of the Post -Secondary Learning Act, Chapter P-19.5, Statutes of Alberta, 2003.

Primarily serving communities in northeastern Alberta, the College provides instruction and training to assist adult learners through academic upgrading programs and career entry training in business, human services, trades, technical and service industries. The College maintains a special interest in providing programs to aboriginal communities.

Note 2 Significant Accounting Policies and Reporting Practices

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

In preparing the College's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Management believes its estimates to be appropriate, however, actual results could differ from these estimates.

(a) Revenue Recognition

(i) Unrestricted Contributions

Unrestricted operating grants and contributions are recognized as revenue in the period when receivable.

(ii) Restricted Contributions

Externally restricted non-capital grants and contributions are deferred and recognized as revenue in the period when related expenses are incurred.

Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Restricted contributions for the purchase of capital assets which will not be amortized are recorded as direct increases in net assets.

Externally restricted contributions for endowment purposes are not recognized as revenue, but are recorded as direct increases in net assets.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(a) (iii) Investment Income

Investment income subject to external restrictions is, depending on the nature of the restrictions, recorded as a direct increase to net assets, or is deferred and recognized as revenue in the period the related expenses are incurred.

Unrestricted investment income is recognized in the year it is earned.

(iv) Donations

Donations and contributions in kind are recorded at fair value when such value can reasonably be determined.

(v) Program Delivery

Revenue from tuition fees, education contract programs and sale of goods and services is recognized as revenue in the period in which the goods are delivered or the services are provided.

Revenue from long-term education contracts is determined on the percentage of completion method. Provision is made for all anticipated losses as soon as they become evident.

(b) Investments

All investments are held as temporary investments and are valued at the lower of cost or market.

(c) Inventories

Inventories for resale are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Inventories held for consumption are valued at the lower of cost and replacement value.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(d) Capital Assets and Collections

Capital assets are recorded at cost, except donated assets which are recorded at fair value, when fair value can be reasonably determined.

Capital assets are amortized on a straight-line basis over the following estimated average useful lives:

Buildings and site improvements	20 - 40 years
Trailers	20 years
Furniture, vehicles and other equipment	5 - 10 years
Library holdings	5 - 10 years
Computer equipment	4 years
Computer (Agresso) software	5 years
Rental books	2 years
Leasehold improvements	Life of lease

Art collections are recorded at cost and are not amortized. Donated artwork collections are recorded at fair value, when determinable.

(e) Pension Plan Expense and Obligation

The College participates in the Public Service Pension Plan and the Management Employees Pension Plan. These pension plans are multiemployer defined benefit pension plans, that provide pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the cost of employer contributions, for its employees during the year, based on rates which are expected to provide for benefits payable under the respective pension plan. The College's portion of the pension plans' deficit or surplus is not recorded by the College.

(f) Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these instruments.

Note 3 Cash and cash equivalents and Endowments

	2004		2003	
	Carrying Value	Market Value	Carrying Value	Market Value
Consolidated Cash Investment Trust Fund	$ 1,952,605	$ 1,952,605	$ 1,898,285	$ 1,898,285
Bankers Acceptances and Treasury Bills	129,780	129,780	434,845	435,405
Cash	1,566,873	1,566,873	364,329	364,329
	3,649,258	3,649,258	2,697,459	2,698,019
Held as non-current cash and cash equivalents	(534,936)	(534,936)	(439,484)	(439,484)
Held as cash and cash equivalents	$ 3,114,322	$ 3,114,322	$ 2,257,975	$ 2,258,535

The Consolidated Cash Investment Trust Fund ("CCITF") of the Province of Alberta is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of three years. Interest is earned on the daily cash balance at the average rate of earnings of the CCITF, which varies depending on the prevailing market interest rates.

Bankers Acceptances and Government of Canada Treasury Bills all mature within one year. The weighted average effective yield of 1.97% (2003 - 3.15%) represents the rate which discounts future cash receipts to the carrying value at June 30, 2004.

Note 3 Cash and cash equivalents and Endowments (continued)

The amount held as non-current cash and cash equivalents represents funds not available for current operations and includes endowments and net assets internally restricted for capital purposes, as outlined below.

	2004	2003
Endowments [1]	$ 444,602	$ 380,000
Board restricted capital funds (Note 12)	90,334	59,484
	$ 534,936	$ 439,484

[1] Endowments are comprised of the following:

	2004	2003
Board of Governors Award	$ 340,000	$ 310,000
Trans Canada-Student Bursary	25,000	25,000
Northlands Park Achievement Award	20,000	20,000
Alberta Pacific Bursary	20,000	20,000
Xerox- Outstanding Business Careers Student Award	3,000	3,000
Alberta Pacific Native Cultural Arts Award	2,000	2,000
Fundraising Scholarship	34,602	-
	$ 444,602	$ 380,000

Of the net assets restricted for endowment purposes, $387,500 (2003 - $357,500) is subject to externally imposed restrictions stipulating that the resources be maintained permanently. The Board of Governors has internally restricted $57,102 (2003 - $22,500) of unrestricted net assets to be held for endowment purposes. The purpose of the endowments are to award student scholarships and bursaries.

Note 4 Investments

	2004		2003	
	Carrying Value	Market Value	Carrying Value	Market Value
Government of Canada bonds	$ 236,158	$ 236,158	$ 80,648	$ 82,919
Provincial bonds	148,356	148,356	45,030	45,900
Corporate bonds	142,426	142,877	64,111	66,353
Equities	209,297	245,856	214,144	218,355
	$ 736,237	$ 773,247	$ 403,933	$ 413,527

The College recognizes the need to effectively manage all financial resources. The College employs cash and fund management practices, in order to maximize the amounts available for investment. Donations and surplus cash will be invested in order to maximize return while minimizing loss.

The Board of Governors has approved investment guidelines on asset mix, diversification, quality, liquidity and nature of securities, and term constraints.

Government of Canada bonds have a weighted average term to maturity of 5.53 years (2003 - 6.0 years) and stated interest rate of 4.81% (2003 - 4.38%). The average effective yield on these securities is 4.12% (2003 - 4.28%).

Provincial bonds have a weighted average term to maturity of 7.89 years (2003 - 5.1 years) and stated interest rate of 4.77% (2003 - 3.67%). The average effective yield on these securities is 3.77% (2003 - 3.64%).

Corporate bonds have a weighted average term to maturity of 7.47 years (2003 - 10.1 years) and stated interest rate of 5.67% (2003 - 5.76%). The average effective yield on these securities is 5.14% (2003 - 5.63%).

Term to maturity of bonds is based upon the contractual maturity of the security. Effective yields represent the rate that discounts future cash receipts to the carrying value at June 30, 2004. Risk is reduced by the requirement that all bonds must be rated "A" or better by the Dominion Bond Rating Service or an equivalent recognized rating agency.

Note 5 Accounts Receivable

	2004	2003
Accounts receivable	$ 1,043,080	$ 811,727
Allowance for doubtful accounts	(14,640)	(14,640)
	$ 1,028,440	$ 797,087

Note 6 Inventories

	2004	2003
Bookstore and native cultural art supplies	$ 157,870	$ 136,900
Cafeteria supplies	26,709	22,881
Printing supplies	3,596	2,363
Other	7,145	7,039
	$ 195,320	$ 169,183

Note 7 Capital Assets

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings and site improvements	$ 31,856,812	$ 3,379,631	$ 28,477,181	$ 28,696,351
Land	500,000	-	500,000	500,000
Rental books	377,727	325,514	52,213	109,290
Computer equipment	2,616,313	1,980,909	635,404	521,735
Furniture	36,670	25,483	11,187	14,652
Vehicles	494,869	306,903	187,966	177,490
Other equipment	929,014	388,660	540,354	480,505
Library holdings	579,726	333,227	246,499	259,409
Trailers	768,935	171,685	597,250	652,526
Computer (Agresso) software	1,145,963	689,245	456,718	605,815
Artwork	346,300	-	346,300	346,300
Leasehold improvements	565,371	254,469	310,902	349,757
	$ 40,217,700	$ 7,855,726	$ 32,361,974	$ 32,713,830

Note 8 Unearned Revenue

	2004	2003
Contract programs	$ 260,482	$ -
Tuition fees	223,863	192,387
Other	20,270	26,795
	$ 504,615	$ 219,182

Note 9 Deferred Contributions

	2004	2003
Restricted contributions received during the period:		
Conditional grants	$ 2,551,225	$ 1,154,487
Restricted endowment investment income (Note 14)	10,849	8,549
Donations and Contributions	13,800	-
	2,575,874	1,163,036
Transferred to revenue:		
Conditional grants	(1,329,111)	(1,352,540)
Restricted endowment investment income (Note 14)	(11,388)	(4,660)
	(1,340,499)	(1,357,200)
Transferred to payable to the Government of Alberta	(88,235)	-
Transferred to deferred capital contributions (Note 10)	(884,028)	(9,679)
Increase (decrease) during the year	263,112	(203,843)
Balance at beginning of year	751,514	955,357
Balance at end of year	$ 1,014,626	$ 751,514

Deferred contributions at the end of the year are restricted for the following purposes:

	2004	2003
Deferred maintenance	$ 526,452	$ 540,657
Program funding	433,874	197,534
Student scholarships and bursaries	15,583	13,323
One time equipment and facility funding	38,717	-
	$ 1,014,626	$ 751,514

Note 10 Deferred Capital Contributions

	2004	2003
Donations received during the year	$ -	$ 12,000
Transferred from deferred contributions (Note 9)	884,028	9,679
	884,028	21,679
Transferred to unamortized deferred capital contributions (Note 11)	(669,708)	(21,679)
Increase during the year	214,320	-
Balance at beginning of year	-	-
Balance at end of year	$ 214,320	$ -

Note 11 Unamortized Deferred Capital Contributions

	2004	2003
Balance at beginning of year	$ 29,148,937	$ 30,206,573
Transferred from deferred capital contributions (Note 10)	669,708	21,679
Less amount amortized to revenue	(1,039,786)	(1,079,315)
Balance at end of year	$ 28,778,859	$ 29,148,937

Note 12 Internally Restricted Net Assets

Net assets internally restricted by the Board represent amounts set aside by the College's Board of Governors to be used for the following designated purposes. These amounts are not available for other purposes without approval of the Board.

	2004	2003
Capital:		
Campus Development Fund - Capital	$ 55,470	$ 55,470
Housing Development Fund - Capital	4,014	4,014
Forestry Program - Capital	30,850	-
	90,334	59,484
Operating:		
Program Development	391,875	391,875
Professional Services - Transition Fund	234,479	234,479
Financially Assisted Education Leave	100,000	100,000
Emergency Facility Repair	78,088	78,088
Student Needs - Quality of life	20,000	20,000
	824,442	824,442
	$ 914,776	$ 883,926

Note 13 Sales, Rentals and Services

	Revenue	Direct Expense	2004 Net	2003 Net
Food Services	$ 386,489	$ 397,735	$ (11,246)	$ (11,825)
Housing	664,327	623,597	40,730	(63,003)
Bookstore and Native Art Sales	680,664	573,248	107,416	115,801
Community Use	33,820	36,127	(2,307)	13
	$ 1,765,300	$ 1,630,707	$ 134,593	$ 40,986

In addition to the direct expenses, facility amortization related to sales, rentals and services for the year was $186,304 (2003 - $186,304). This allocation was calculated based on square footage occupied.

Note 14 Investment Income

	2004	2003
Investment earnings	$ 126,070	$ 116,305
Add amounts transferred from deferred contributions (Note 9)	11,388	4,660
Less amounts transferred to deferred contributions (Note 9)	(10,849)	(8,549)
Total investment income recognized as revenue	$ 126,609	$ 112,416

Note 15 Expense by Function

	2004	2003
Instruction - Credit	$ 8,294,682	$ 7,653,126
Instruction - Non-Credit	495,635	387,781
Facilities operations and maintenance	4,462,620	4,308,086
Institutional support	2,521,906	2,224,874
Academic support	1,485,077	1,399,506
Student services	1,836,132	1,710,319
Ancillary services (Note 13)	1,817,019	1,611,064
Computing, network and communications	703,888	641,240
Fund raising	47,207	47,220
Sponsored Research	-	23,784
Total Expenses	$ 21,664,166	$ 20,007,000

Instruction encompasses all formal education and instructional program elements. Facilities operations and maintenance includes all costs of the daily operations of the buildings occupied by the College, property taxes and amortization on capital equipment and buildings. Institutional support includes all activities that provide institution wide support to other programs. Academic support includes all activities that directly support the education and instruction elements such as academic administration, library and audio-visual services. Student services includes all activities or services to the student body of the institution such as counselling, recreation and registrar's office. Ancillary services include direct and indirect costs of operating food services, native art sales, community use, housing and bookstore. Computing, network and communications includes all costs expended to maintain the College's hardware and software. Fund raising includes guest speaker honoraria, event promotion and all other direct costs associated with the events.

Note 16 Salaries, Wages and Benefits

The following information is prepared in accordance with Treasury Board Directive No. 12/98:

	2004				2003
	Salary[1]	Other Cash Benefits[2]	Other Non Cash Benefits[3]	Total	Total
Board Chair	$ -	$ 2,177	$ 7	$ 2,184	$ 4,363
Board Members (9 members)	-	10,243	16	10,259	8,288
President[4]	118,823	-	42,417	161,240	139,131
Vice President of Academics	102,917	-	14,707	117,624	111,833
Vice President of Student and College Services	96,971	-	14,926	111,897	103,732
Dean of Community and Industry Training[5]	98,258	-	13,053	111,311	107,927
Dean of Academic Upgrading[6]	48,982	-	7,149	56,131	92,253
Dean of Health, Business and Human Services	84,356	-	13,325	97,681	90,089
Manager Finance and Administration	79,509	-	13,204	92,713	84,963
Registrar	75,098	-	12,581	87,679	79,996

(1) Base salary includes pensionable base pay.

(2) Other cash benefits include bonuses, overtime, lump sum payments and honoraria.

(3) Other non cash benefits include the College's share of all employee benefits and contributions or payments made on behalf of employees, including pension, health care, dental coverage, vision coverage, out of country medical insurance, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional and club memberships and professional development.

(4) The President 's other non cash benefits include standard benefits available to all College employees as well as additional items negotiated in his contract including: professional development allotment, memberships and severance agreement. An automobile was also provided, with no dollar amount included in the other non-cash benefits figure.

(5) The position of Dean of Community and Industry Training was occupied by two people during the year.

(6) The position of Dean of Academic Upgrading was occupied for 7 months during the year.

Note 17 Pension Costs

The College participates in two multiemployer pension plans,the Public Services Pension Plan (PSPP) and the Management Employees Pension Plan (MEPP). The expense for these plans is $752,647 for the year ended June 30, 2004 (2003 - $561,866).

Public Service Pension Plan

At December 31, 2003, the PSPP reported an actuarial deficiency of $596,213,000 (2002 - $175,528,000). Effective September 1, 2003, the employers' contribution rates increased by 1.495% of earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and by 2.26% of excess.

Management Employee Pension Plan

At December 31, 2003, the MEPP reported a deficiency of $290,014,000 (2002 - $301,968,000). Effective April 1, 2003, the employer's contribution rate was increased by 2.35%.

Note 18 Changes in Non-cash Working Capital

	2004	2003
Accounts receivable	$ (231,353)	$ (58,766)
Inventories	(26,137)	20,210
Prepaid expenses	(41,126)	50,552
Accounts payable and accrued liabilities	503,676	(198,050)
Accrued vacation pay	(182,369)	66,501
Unearned revenue	285,433	120,927
Deferred contributions	263,112	(203,843)
	$ 571,236	$ (202,469)

Note 19 Commitments

Future minimum annual lease payments under operating leases and other commitments are:

2005	$ 445,168
2006	$ 148,572
2007	$ 35,624
2008	$ 22,887
2009 and thereafter	$ -

Note 20 Art Collection

The College's art collection is comprised of:

(a) Native Cultural Arts Museum Collection

The Native Cultural Arts Museum Collection consists of Aboriginal art and craft works, which have been collected from across Canada and the United States. The majority of the pieces were purchased from artists and dealers. Students, staff and guest instructors have donated numerous pieces to the Collection. Articles from the Collection are used for displays, both on and off campus, and for instructional support in the Native Cultural Arts programs. All pieces in the Collection are numbered, photographed and described in the Collection records.

(b) Other Art Works

The College has also acquired, either through purchases or donation, other art works, which are displayed throughout the College buildings. Approximately 85% of the art display depicts native heritage. The mediums include watercolor, silkscreens, black and white photography, color photography and reproduced prints. The remainder of the display depicts the surrounding areas and peoples of Lac La Biche.

Note 21 Related Parties

a) Significantly Influenced Organizations

(i) Lac La Biche Childcare Association

The College exercises significant influence over the Lac La Biche Childcare Association (the "Childcare Association") through a contractual arrangement whereby the children of students of the College are given priority placement and a maximum enrolment fee of $690 (2003 - $625) per month per child.

The Childcare Association is incorporated under the Societies Act of the Province of Alberta and exists to provide daycare services to Lac La Biche and surrounding communities.

The College, as owner of the buildings, provides the Childcare Association, at no charge, the space needed to operate a daycare, care taking services, repairs, heating, lighting, telephone, parking spaces, furniture and equipment. For the year ended June 30, 2004, the College incurred related expenses of $127,551 (2003- $132,733) on behalf of the Childcare Association, which are reflected in the College's statement of operations.

The College also provides $31,500 (2003-$31,500) annually to the Childcare Association to subsidize its operations. The College renewed its contract with the Childcare Association committing $37,340 for the year commencing July 1, 2004 to June 30, 2007. There is an option to renegotiate and renew this contract at the completion of the contract.

Note 21 Related Parties (continued)

a) Significantly Influenced Organizations (continued)

(ii) Portage Aquatic Association

The Portage Aquatic Association (the "Aquatic Association") was incorporated under the Alberta Business Corporations Act. It operates the Aquatic Centre with the objective to encourage, promote and provide aquatic training and recreational opportunities to prospective patrons. The College has an agreement with the Aquatic Association to make available aquatic training and recreational opportunities to College staff and students.

As of July 1, 2002, the College entered into an agreement with the Aquatic Association, Lakeland County and the Town of Lac La Biche in which the College contributes annually a lump sum of $123,916. The term of this agreement is July 1, 2002 to June 30, 2005. The College also contributed an additional 2% inflationary amount of $2,478 (2003 - $0), for a total of $126,394 (2003 - $123,916) for the year ended June 30, 2004. Annual janitorial, management and other maintenance costs are no longer paid by the College. The College continues to own the building and recognized amortization in the amount of $45,602 (2003 - $45,602) for the current year.

In this agreement, the Aquatic Association has the ability to contract out maintenance. For the year ended June 30, 2004 the Aquatic Association chose to contract the maintenance back to the College. The College recognized $8,854 (2003 - $8,880) of revenue from this maintenance contract.

On behalf of students and to provide recreational programming, the College purchased $12,901 (2003-$10,474) in services from the Aquatic Centre during the year ended June 30, 2004.

At June 30, 2004, the accounts receivable balance include an amount of $12,500 (2003 - $21,133) owing from the Aquatic Centre for power usage and other purchases from the college.

Note 21 Related Parties (continued)

b) Alberta Government and Alberta Post Secondary Education Institutions

The College is a Provincial Corporation. All of the members of the Board of Governors are appointed pursuant to the Post Secondary Learning Act or by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning.

In the normal course of operations, the College engages in brokerage and other collaborative arrangements with other post-secondary educational institutions in Alberta. These institutions are also Provincial Corporations.

The College had the following transactions with related parties:

	Alberta Government		Post Secondary Collaboration	
	2004	2003	2004	2003
Revenues:				
Alberta Learning:				
Operating contributions	$ 13,101,408	$ 12,235,630	$ -	$ -
Conditional contributions received	946,823	1,097,873	-	-
Other provincial departments and agencies received	1,049,402	56,613	-	-
Contributions received during the year	15,097,633	13,390,116	-	-
Conditional contributions deferred from prior years	738,192	945,924	-	-
Less contributions deferred at the end of the year	(999,043)	(738,191)	-	-
Less transfers to deferred capital contributions	(318,028)	(9,679)	-	-
Less transfers to accrued liabilities	(88,235)	-	-	-
Earned Government of Alberta contributions	14,430,519	13,588,170	-	-
Contract income	249,579	80,802	67,938	28,300
	$ 14,680,098	$ 13,668,972	$ 67,938	$ 28,300
Expenses	$ 144,263	$ 2,903	$ 195,612	$ 32,040
Accounts receivable	$ 203,680	$ 292,380	$ 13,904	$ 4,066
Accounts payable	$ 48,367	$ 629	$ 2,902	$ 1,454

Note 21 Related Parties (continued)

c) Joint Venture

On December 18, 1998, the Lieutenant Governor in Council approved the establishment of a corporation, to be owned equally by Portage College, Northern Lakes College, NorQuest College and Bow Valley College. On February 10, 1999, 818196 Alberta Ltd. was incorporated pursuant to the Alberta Business Corporations Act.

The Corporation was created for the purpose of holding jointly developed intellectual property transferred from her Majesty the Queen in Right of the Province of Alberta as represented by the Minister of Learning. The fair value of the intellectual property transferred is not determinable. As at June 30, 2004, this Corporation was not active.

Note 22 Contingent Liability

The College is a defendant in a legal proceeding that arose due to cancellation of a program. While the outcome of this proceeding cannot be predicted at this time, it is the opinion of management that the resolution of this claim will not have a material effect on the financial statements of the College, and it has not been reflected in these statements.

Note 23 Budget

The College is required to submit a budget, approved by the Board of Governors of the College, to the Minister of Alberta Learning for his approval. The Board of Governors approved the College's Budget on April 7, 2003.

Note 24 Funds Held on Behalf of Others

The following funds, held by the College on the behalf of others, are not included in these financial statements:

	2004	2003
Portage Aquatic Association	$ 107,529	$ 170,528
Faculty Association	134,013	130,320
Employee Funded Leave	104,449	71,869
Other Funds Held	99,278	52,742
Security Deposits Held	19,099	15,700
	$ 464,368	$ 441,159

Note 25 Approval of Financial Statements

These financial statements were approved by the Board of Governors.

Schedule 1 Continuing Education Programming

	2004							2003
	Trades, Technical & Safety	Forestry	Health	Computer & Office	Driver	Other	Total	Total
Revenue	$ 1,039,028	$ 476,343	$ 208,736	$ 15,949	$ 130,183	$ 75,838	$ 1,946,077	$ 1,680,616
Less:								
Direct Expenses:								
Salaries, wages and benefits	533,522	150,247	87,482	4,078	70,621	41,656	887,606	833,265
Supplies and other expenses	282,042	225,060	66,462	5,369	35,632	14,430	628,995	463,754
	815,564	375,307	153,944	9,447	106,253	56,086	1,516,601	1,297,019
Indirect costs [1]	168,586	93,414	41,021	3,168	11,555	7,767	325,511	193,056
Excess of revenue over expense	$ 54,878	$ 7,622	$ 13,771	$ 3,334	$ 12,375	$ 11,985	$ 103,965	$ 190,541

The College actively works with industry, native communities and other organizations to provide customized training on a cost recovery basis. The College expects Continuing Education departments to cover all direct costs plus an estimated amount to cover indirect costs to deliver these programs - see footnote below.

Any revenues and expenditures related to Continuing Education program delivery can be grouped within any or all of the categories on the statement of operations.

(1) The amounts shown as indirect costs are calculated based on a percentage of gross program revenue on a scale ranging from 0% to a maximum of 20%.

RED DEER COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Revenue and Expense

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flow

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of Red Deer College

I have audited the consolidated statement of financial position of Red Deer College as at June 30, 2004 and the consolidated statements of revenue and expense, changes in net assets and cash flow for the year then ended. These consolidated financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
September 13, 2004

RED DEER COLLEGE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2004

	2004	2003
ASSETS		
Current:		
Cash	$ 878,577	$ 2,356,694
Short-term investments (Note 3)	8,210,228	8,172,078
Accounts receivable	1,061,693	1,522,760
Inventories	909,501	818,273
Prepaid expenses	309,454	276,876
	11,369,453	13,146,681
Investments (Note 3)	6,271,990	6,475,878
Art collections (Note 4)	1,282,635	1,262,221
Capital assets (Note 5)	55,318,343	55,948,415
	$ 74,242,421	$ 76,833,195
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 4,381,802	$ 5,707,220
Accrued vacation pay	2,899,174	3,112,671
Unearned revenue	1,697,107	1,733,726
Deferred contributions (Note 6)	1,336,967	2,570,288
Current portion of long-term debt (Note 9)	179,319	168,198
Current portion of capital lease obligation (Note 8)	419,800	289,464
	10,914,169	13,581,567
Long-term portion of capital lease obligation (Note 8)	365,957	224,332
Long-term debt (Note 9)	4,742,655	4,921,974
Deferred contributions for capital purposes (Note 7)	526,933	844,112
Unamortized deferred capital contributions (Note 11)	36,167,051	37,789,064
	52,716,765	57,361,049
Net assets:		
Endowments (Note 12)	4,507,596	5,631,766
Investment in capital assets and art collections	14,726,196	13,817,604
Internally restricted (Note 13)	1,460,591	22,776
Unrestricted net assets	831,273	-
	21,525,656	19,472,146
	$ 74,242,421	$ 76,833,195

The accompanying notes are part of these financial statements.

RED DEER COLLEGE

CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE

FOR THE YEAR ENDED JUNE 30, 2004

	Budget (Note 23)	2004	2003
Revenue:			
Grants, Province of Alberta (Note 14)	$ 25,425,000	$ 27,473,374	$ 29,132,981
Educational contracts	1,150,000	1,854,756	1,477,894
Tuition and related fees (Note 15)	14,788,000	14,711,688	13,273,441
Ancillary services (Note 16)	6,389,000	6,622,386	6,252,389
Sales, rentals and services	1,070,000	1,206,729	1,363,416
Investment income (Note 17)	555,000	339,532	387,694
Donations and endowment interest	327,000	1,580,762	766,045
Amortization of deferred capital contributions (Note 11)	2,316,000	2,477,900	2,323,183
	52,020,000	56,267,127	54,977,043
Expense:			
Salaries and benefits	33,879,000	35,334,114	33,523,268
Supplies and services	9,886,000	11,617,946	13,551,906
Utilities	1,706,000	1,790,909	1,773,222
Scholarships and bursaries	269,000	271,929	305,024
Cost of goods sold	2,390,000	2,561,268	2,446,165
Amortization and write down of capital assets	3,890,000	4,322,722	3,824,824
	52,020,000	55,898,888	55,424,409
Excess (deficiency) of revenue over expense for current operations	-	368,239	(447,366)
Gain on disposal of land (Note 18)	-	1,263,452	109,978
Excess (deficiency) of revenue over expense	$ -	$ 1,631,691	$ (337,388)

The accompanying notes are part of the financial statements.

RED DEER COLLEGE

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2004

	2004					2003
	Endowments	Investment in Capital Assets and Art Collections	Internally Restricted	Unrestricted Net Assets	Total	Total
	(Note 12)		(Note 13)			
Beginning of year	$ 5,631,766	$ 13,817,604	$ 22,776	$ -	$ 19,472,146	$ 19,561,369
Excess (deficiency) of revenue over expense				1,631,691	1,631,691	(337,388)
Endowments received	46,921				46,921	210,751
Interest income added to endowment principal (Note 17)	66,370				66,370	37,414
Transfers:						
Purchase of capital assets		1,880,015		(1,880,015)	-	-
Amortization		(1,152,296)		1,152,296	-	-
Net book value of capital assets disposed or written down		(712,571)		712,571	-	-
Repayment of long-term debt and capital lease		584,916		(584,916)	-	-
Transfer from endowment to internally restricted (Note 12)	(1,237,461)		1,237,461		-	-
Donated art collections		308,528			308,528	
Board allocation from internally restricted net assets			200,354	(200,354)	-	-
End of the year	$ 4,507,596	$ 14,726,196	$ 1,460,591	$ 831,273	$ 21,525,656	$ 19,472,146

The accompanying notes are part of these financial statements

RED DEER COLLEGE

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED JUNE 30, 2004

	2004	2003
Cash generated from operating activities:		
Excess (deficiency) of revenue over expense	$ 1,631,691	$ (337,388)
Add:		
Amortization and write down of capital assets	4,322,722	3,824,824
Gain on disposal of land	(1,263,452)	(109,978)
Amortization of deferred capital contributions	(2,477,900)	(2,323,183)
	2,213,061	1,054,275
Changes in non-cash working capital (Note 20)	(2,471,594)	1,183,099
Cash (applied to) generated from operating activities	(258,533)	2,237,374
Investing activities:		
Acquisition of capital assets and collections		
Internally funded	(596,518)	(704,748)
Externally funded (Note 11)	(1,150,687)	(2,893,064)
Disposal of long-term investments	203,888	4,157,971
Cash generated from (applied to) investing activities	(1,543,317)	560,159
Financing activities:		
Repayment of long-term debt	(168,198)	(157,773)
Repayment of capital lease	(416,718)	(463,757)
Capital contributions received (Note 7)	833,508	(1,513,072)
Endowments contributions	113,291	248,165
Cash generated from (applied to) financing activities	361,883	(1,886,437)
Decrease (increase) in cash and short-term investments	(1,439,967)	911,096
Cash and short-term investments, at beginning of year	10,528,772	9,617,676
Cash and short-term investments, at end of year	$ 9,088,805	$ 10,528,772
Cash and short-term investments consists of the following:		
Cash	$ 878,577	$ 2,356,694
Short-term investments	8,210,228	8,172,078
	$ 9,088,805	$ 10,528,772

The accompanying notes are part of these financial statements

RED DEER COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004

Note 1 Authority and Purpose

Red Deer College operates under the authority of the Post-Secondary Learning Act, Statues of Alberta 2003, Chapter P-19.5.

The College provides a wide range of quality educational opportunities designed to promote success of learners and the enrichment of life in the communities it serves. The College is mandated to provide certificates, diplomas, applied degrees and a wide variety of non-credit offerings through adult development programs, career-oriented studies, trades training and university undergraduate studies.

The College is exempt from the payment of income tax under Section 149 of the Income Tax Act.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Consolidation

The financial statements include the accounts of the College and the Red Deer College Foundation.

(b) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that the organization may undertake in the future.

(c) Inventories

Inventories of merchandise for resale are valued at the lower of cost and net realizable value. Substantially all inventories are valued using the retail method of determining cost. Inventories of supplies for consumption are valued at the lower of cost and replacement value.

(d) Investments

Investments are recorded at cost or amortized cost. Amortization of discount or premium is on a straight-line basis over the life of the investment. Gains or losses on sales of investments are recognized as investment income in the year of sale. Where impairment in the value of the investment is other than temporary, a charge to income will be recognized as an unrealized loss on investments.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(e) Art Collections

Art collections are recorded at cost except for donated items, which are recorded at fair market value at the time of receipt. The recorded amount is reduced for any subsequent permanent impairment.

(f) Capital Assets

Capital assets are amortized on a straight-line basis over the following average useful lives:

Buildings and site improvements	40 years
Furnishings, equipment and vehicles	10 years
Library	10 years
Computer software	5 years
Computer hardware	5 years
Computer leases	3 years

(g) Financial Instruments

The financial instruments consist of cash, short-term investments, accounts receivable, long-term investments, accounts payable and accrued liabilities, accrued vacation pay, long-term debt and capital leases. Financial instruments are initially recorded at cost. If subsequent circumstances indicate that a decline in fair value of a financial instrument is other than temporary, the financial asset is written down to its fair value.

The fair value of accounts receivable and accounts payable and accrued liabilities approximates their carrying value due to the short time to receipt or payment of cash. The fair value of long-term debt and capital leases approximates their carrying value, as the average interest rate charged is consistent with the college incremental borrowing rate. The fair value of accrued vacation pay is not readily determinable as there are no conditions for the timing of repayment.

The financial instruments that are exposed to credit risk consist of accounts receivable, certain short-term investments and certain long-term investments. The risk is limited by the College's investment policy and collection procedures.

The capital lease, long-term debt, certain short-term investments and certain long-term investments have fixed interest rates and are exposed to interest rate price risk.

Certain short-term investments and certain long-term investments are exposed to market price risk.

(g) Financial Instruments (continued)

Red Deer College is exposed to foreign exchange rate risk as they have purchase transactions in the United States currency.

(h) Revenue Recognition

Operating grants are recognized in the period when receivable. Operating grants received for a future period are deferred until that future period.

Capital grants are recorded as deferred contributions for capital purposes until the amount is invested in capital assets. Amounts invested representing funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and the deferred capital contributions revenue are matched to indicate that the related amortization expense has been funded.

Restricted contributions are recognized as revenue if the amounts have been received and the related expenses have been incurred. Unrestricted contributions are recognized as revenue when received.

Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Donations of capital assets that will not be amortized, and artwork collections are recognized as direct increases in net assets. Permanent impairment in values of these items is recognized as reduction in net assets.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by external parties. Any externally restricted contributions containing stipulations that the amounts should be retained as net assets, or that the contributions should not be expended, are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(i) Employee Future Benefits

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provide pensions for the College's participating employees, based on years of service and earnings.

Pension cost is disclosed as a part of salaries and wages and are comprised of the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the Local Authorities Pension Plan. The College's portion of the pension plan's deficit or surplus is not recorded by the College.

The College participates in a Supplementary Employees Retirement Plan for certain specified employees of the College. The plan is unfunded and the liability is determined by an actuarial valuation using estimates described in note 22.

The plan costs are disclosed as part of the salaries and wages.

Note 3 Investments

Investments are summarized as follows:

	2004	2003
Treasury bills and other	$ 1,766,933	$ 8,901,372
Bonds and coupons	5,069,923	4,746,584
Stocks and equity mutual funds	7,645,362	1,000,000
	14,482,218	14,647,956
Held as long-term investments	(6,271,990)	(6,475,878)
Short-term investments	$ 8,210,228	$ 8,172,078

The market value of the investments is as follows:

Treasury bills and other	$ 1,767,110	$ 8,929,456
Bonds and coupons	5,144,236	4,886,606
Stocks and equity mutual funds	8,309,320	1,000,006
	$ 15,220,666	$ 14,816,068

Note 3 Investments (continued)

These investments mature in the following calendar years

	Cost
Non maturing (Mutual Funds and Equities)	$ 7,645,362
2004	1,766,933
2005	122,512
2006	706,504
2007	370,887
2008	1,222,357
2009	62,719
2010	592,557
2012	914,005
2027	229,427
2029	848,955
	$ 14,482,218

The College's exposure to interest rate risk at June 30, 2004 relates to its investments portfolio of $14,482,218. The College's fixed income investments of $6,836,856 (2003 -$13,647,956) have an effective interest rate of 4.48% (2003 – 3.08%). The rate of return on the balance of the portfolio, comprised of mutual fund and stock holdings, is dependent on the fund's performance.

Note 4 Art Collections

Art collections represent paintings, sketches and drawings held to further the College's education and research activities.

Note 5 Capital Assets

(a) Summary of Cost and Net Book Value

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land and improvements	$ 10,157,818	$ 263,604	$ 9,894,214	$ 9,975,200
Buildings and site improvements	69,335,611	29,998,961	39,336,650	39,178,590
Library	1,231,192	834,095	397,097	386,011
Furnishings and equipment	16,360,841	11,185,701	5,175,140	5,837,020
Computer software	3,097,128	2,803,134	293,994	396,393
Vehicles	489,835	268,587	221,248	175,201
	$ 100,672,425	$ 45,354,082	$ 55,318,343	$ 55,948,415

(b) Donations in Kind

During the year there were donations in kind of equipment in the amount of $99,893 (2003- $412,722).

(c) Capital Lease

Furnishings and equipment include leased computer equipment with a cost of $2,042,032 (2003 - $1,353,353) and a net book value of $494,164 (2003 - $322,911).

Note 6 Deferred Contributions

Deferred contributions represent unspent contributions externally restricted for non-capital purposes.

	2004	2003
Contributions:		
Grants	$ 3,452,891	$ 4,518,726
Donations	738,360	574,001
Interest (Note 17)	198,099	112,902
	4,389,350	5,205,629
Transfer from deferred capital contributions (Note 7)	266,593	2,596,661
	4,655,943	7,802,290
Transferred to revenue:		
Grants	4,295,477	7,437,457
Donations and interest	1,593,787	816,411
	5,889,264	8,253,868
Transfers to endowment	-	99,835
	-	99,835
Decrease during the year	(1,233,321)	(551,413)
Deferred contributions at beginning of year	2,570,288	3,121,701
Deferred contributions at end of year	$ 1,336,967	$ 2,570,288

The balance consists of funds restricted for:

	2004	2003
Program expansion	$ 756,122	$ 2,056,200
Scholarships and bursaries	580,845	514,088
	$ 1,336,967	$ 2,570,288

Note 7 Deferred Contributions for Capital Purposes

Deferred contributions for capital purposes represent unspent restricted capital funds.

	2004	2003
Contributions:		
Grants	$ 233,529	$ 2,302
Donations	866,572	1,081,287
	1,100,101	1,083,589
Transfer to deferred contributions (Note 6)	266,593	2,596,661
	833,508	(1,513,072)
Transfer to unamortized deferred capital contributions (Note 11)	1,150,687	2,893,064
Decrease during the year	(317,179)	(4,406,136)
Deferred contributions for capital purposes at beginning of year	844,112	5,250,248
Deferred contributions for capital purposes at end of year	$ 526,933	$ 844,112

The balance consists of funds restricted for:

	2004	2003
Program expansion	$ 125,932	$ 23,217
Facility expansion	401,001	820,895
	$ 526,933	$ 844,112

Note 8 Capital Lease Obligation

Capital lease obligation is comprised of the following:

Capital lease at 5.28% interest rate expiring December, 2004	$	10,093
Capital lease at 5.35% interest rate expiring February, 2005		19,464
Capital lease at 5.28% interest rate expiring March, 2005		8,912
Capital lease at 5.83% interest rate expiring May, 2005		30,548
Capital lease at 5.66% interest rate expiring May, 2005		90,922
Capital lease at 5.06% interest rate expiring September, 2005		4,533
Capital lease at 4.95% interest rate expiring December, 2005		29,281
Capital lease at 5.29% interest rate expiring February, 2006		8,930
Capital lease at 0% interest rate expiring March, 2006		12,786
Capital lease at 4.50% interest rate expiring July, 2006		214,123
Capital lease at 4.9% interest rate expiring September, 2006		17,203
Capital lease at 4.37% interest rate expiring December, 2006		68,184
Capital lease at 4.50% interest rate expiring March, 2007		87,069
Capital lease at 5.15% interest rate expiring May, 2007		183,709
	$	785,757

Note 8 Capital Lease Obligation (continued)

Future minimum lease payments are due as follows:

2005	$ 447,536
2006	266,793
2007	113,030
	827,359
Less amount representing interest	41,602
	785,757
Less current portion	419,800
	$ 365,957

The College has pledged leased assets as security over these obligations. During the year, interest on capital lease obligations amounting to $30,729 (2003 - $45,645) has been charged to supplies and services.

Note 9 Long-Term Debt

Long-term debt is summarized as follows:

	Principal Outstanding	
	2004	2003
Student residences, debenture maturing November 1, 2007 at 7.25% per annum interest	$ 264,025	$ 328,139
Student residences, debenture maturing April 3, 2025 at 6.25% per annum interest	2,491,410	2,548,391
Student residences, debenture maturing April 2, 2026 at 6.00% per annum interest	2,166,539	2,213,642
Total long-term debt	4,921,974	5,090,172
Less current portion	179,319	168,198
	$ 4,742,655	$ 4,921,974

The repayment of principal in the next five fiscal years is as follows:

2005	$ 179,319
2006	191,180
2007	203,833
2008	173,948
2009	140,191

The College has provided a general security agreement over all proceeds derived directly or indirectly from the operations of the residence buildings as security over these loans. Included in supplies and services is $312,418 (2003 - $322,987) of interest on long-term debt. Loans in the amount of $4,657,949 (2003 - $4,762,033) are held with Alberta Capital Financing Authority, which is a related party of the College.

Note 10 Pension Costs

The pension expense recorded in these financial statements is equivalent to the College's annual contributions payable of $1,576,127 for the year ended June 30, 2004 (2003 - $1,211,000).

At December 31, 2003 the Local Authorities Pension Plan reported a deficit of $1,410,987,000 (2002 – deficit $444,980,000). Effective January 1, 2003, the employers' contribution rate was increased by 0.5%. Rates were increased further on January 1, 2004 by 1.077%.

Note 11 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the funded portion of capital assets, which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contributions balance are as follows:

	2004	2003
Balance at beginning of year	$ 37,789,064	$ 37,219,183
Add amount transferred from deferred (note 7)	1,150,687	2,893,064
Less adjustment to transfer funds related to permanent art to investment in capital assets and art collections	(294,800)	-
Less amount amortized to revenue	(2,477,900)	(2,323,183)
	$ 36,167,051	$ 37,789,064

Note 12 Endowments

Endowments are comprised of externally and internally restricted amounts, which are required to be maintained intact except where a donor or the Board of Governors, for internally restricted amounts, agrees to a reallocation for expendable purposes unless otherwise restricted. The terms of certain endowments require the College to maintain the real value of the endowments. Accordingly, a portion of annual investment income earned on the endowment is added to the principal amount. Internally restricted endowments amounted to $604,228 in 2004 (2003 - $1,820,886). During the year the Board approved a transfer of $1,237,461 from internally restricted endowments to internally restricted funds.

Note 13 Internally Restricted Net Assets

Planned expenditures and net assets internally restricted are held for the following purposes. These amounts are not available for other purposes without the approval of the Board of Governors.

	2004	2003
Innovative instruction	$ 223,130	$ 139,206
College sustainability fund	1,237,461	-
Planned expenditures	1,460,591	139,206
Planned expenditures in excess of available net assets	-	(116,430)
Net assets internally restricted	$ 1,460,591	$ 22,776

Note 14 Related Party Transactions

The College is a Provincial Corporation as all the members of the Board of Governors are appointed through the Post-Secondary Learning Act by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning. Transactions between the College and the Province are disclosed as follows in the Consolidated Statement of Revenue and Expense or as part of the deferred contributions balance on the Consolidated Statement of Financial Position:

Fiscal 2003/2004	Revenue	Deferred Contributions	Deferred Capital Contributions
Operations grant	$ 21,851,034	$ -	$ -
Conditional performance	232,028	-	-
Access/Apprenticeship	3,664,969	756,122	125,932
Infrastructure renewal	630,508	-	401,001
Other	1,094,835	-	-
	$ 27,473,374	$ 756,122	$ 526,933

Note 14 Related Party Transactions (continued)

Fiscal 2002/2003	Revenue	Deferred Contributions	Deferred Capital Contributions
Operations grant	$ 20,758,692	$ -	$ -
Conditional performance	181,937	-	-
Access/Apprenticeship	3,548,726	2,056,200	23,217
Infrastructure renewal	3,726,641	-	820,895
Other	916,985	-	-
	$ 29,132,981	$ 2,056,200	$ 844,112

At June 30, 2004 there are no accounts payable or accounts receivable with the province. There were transactions with the David Thompson Regional Health Authority, the details are disclosed in note 18.

During the year, the College conducted business transactions with other public colleges and universities. The revenues and expenses incurred for these business transactions have been included in the consolidated statement of revenue and expense, but have not been separately quantified. Transactions were entered into the same business terms as with non-related parties and are recorded at these fair values.

Note 15 Tuition Fees

	2004	2003
Tuition Fee Revenue (from programs under the tuition fee policy):	$ 9,838,018	$ 8,535,126
Net operating expenditures	36,696,363	33,401,411
Tuition fee revenue as a % of net operating expenditures	27%	26%

The calculation of the tuition fee policy is a ratio of institution tuition fee revenue to net operating expenditures, and demonstrates institution performance with respect to the 30% tuition fee ceiling. The information was prepared in accordance with Section 7 of the Tuition Fee Regulation.

Tuition and Fees:

	2004		2003	
	Budget	Actual	Budget	Actual
Credit	$ 11,358,000	$ 10,913,007	$ 9,772,000	$ 10,031,453
Apprenticeship	1,030,000	1,065,348	750,000	884,400
Credit Free	2,400,000	2,733,333	2,285,000	2,357,588
Total Tuition and Fees	$ 14,788,000	$ 14,711,688	$ 12,807,000	$ 13,273,441

Note 16 Ancillary Services

Ancillary services operations are as follows:

	Revenue	Direct Expense	2004 Net	2003 Net
Bookstore	$ 3,419,429	$ 2,992,215	$ 427,214	$ 374,924
Student residences	2,172,672	1,567,543	605,129	476,033
Child care centres	536,961	559,802	(22,841)	2,245
Parking	493,324	314,734	178,590	85,652
	$ 6,622,386	$ 5,434,294	$ 1,188,092	$ 938,854

Note 17 Investment Income

	2004	2003
Investment earnings in the year	$ 604,001	$ 538,010
Amounts deferred in the year (Note 6)	(198,099)	(112,902)
Investment earnings on endowments	(66,370)	(37,414)
Investment earnings on unrestricted resources	$ 339,532	$ 387,694

Note 18 Gain on Disposal of Land

Prior to June 30, 2003, the College entered into an agreement with the David Thompson Regional Health Authority to construct a long-term care facility on College premises. Pursuant to this agreement, the College has agreed to provide a long-term lease on land with a fair market value of $1,766,400. As consideration for this transaction, the College will receive building and equipment in the amount of $1,350,000 and cash reimbursements up to $416,400 to defray the costs of negotiating the lease and the site servicing costs.

As at June 30, 2004, the College has recorded a gain on disposal of land in the amount of $1,263,452 (2003-$109,978) which represents the amounts recorded relating to additions of building, furnishings and site servicing. In addition, the College has recorded $100,947 related to reimbursements to lease negotiation costs as sales, rentals and services revenue.

Note 19 Salaries and Benefits

The salary and benefit disclosure is provided pursuant to a Treasury Board Directive December 16, 1998 and amended July 6, 2004 and includes only the salaries and benefits of those individuals in the senior decision making group of the College.

	2004				2003
	Base Salary (1)	Other Cash Benefits (2)	Other Non Cash Benefits (3)(5)	Total	Total
Chairman of the Board	$ -	$ 3,000	$ -	$ 3,000	$ 3,000
Board members	-	17,867	-	17,867	16,320
President	141,543	2,333	25,805	169,681	164,490
Executive (4)					
Vice President Education	127,015	-	13,356	140,371	134,321
Vice President Administrative Services	120,968	-	12,225	133,193	127,285
Executive Director of Advancement	112,464	-	17,871	130,335	117,424
Director of Human Resources	71,314	-	12,238	83,552	134,023
	$ 573,304	$ 23,200	$ 81,495	$ 677,999	$ 696,863

(1) Salary includes pensionable base pay.

(2) Other cash benefits include bonuses, overtime, lump sum payments and honoraria.

(3) Employers share of all employee benefits and contributions or payments made on behalf of employees including Local Authorities Pension, Teachers' Retirement Fund, Canada Pension Plan, employment insurance, workers' compensation, health care, dental coverage, extended health care, group life and accidental death and dismemberment insurance, professional memberships and tuitions. Other non-cash benefits figure also includes the employer's share of the cost of additional benefits including travel allowances, car allowances and club memberships.

(4) All executives and vice presidents in the organization's senior decision making/management group.

(5) The above amounts do not include the individual's supplementary pension benefit.

Note 20 Changes in Non-Cash Working Capital

	2004	2003
Accounts receivable	$ 461,067	$ 1,119,709
Inventories	(91,228)	(360,744)
Prepaid expenses	(32,578)	(54,250)
Accounts payable and accrued liabilities	(1,325,418)	64,016
Accrued vacation pay	(213,497)	429,696
Unearned revenue	(36,619)	536,085
Deferred contributions	(1,233,321)	(551,413)
	$ (2,471,594)	$ 1,183,099

Note 21 Commitments

Facility Commitments
Prior to June 30, 2004, the College entered into agreements for the renovation and maintenance of facilities. The College's contractual obligation subsequent to year-end is estimated at $287,000 (2003 - $1,150,566).

The College's operating lease obligation at June 30, 2004 is $495,475 (annual $99,095) expiring June 2009 and $487,350 (annual $81,225) expiring June 2010.

Utility Commitments
In order to manage its exposure to volatility in the electrical and gas industry, the Board of Governors has entered into the following contracts:

Electrical: A 5-year contract, beginning September 21, 2001, at a fixed rate of 5.573 cents per kilowatt-hour.

Gas: A contract to purchase blocks of natural gas on a periodic basis to achieve low cost.

Based on 2004 consumption the annual costs for electricity and gas respectively for the year ending June 30, 2005 is estimated at $956,000 and $530,000 (2004 – $929,964 and $523,290).

Note 22 Deferred Compensation Plan

Effective June 30, 2004, the College implemented the Red Deer College Supplementary Employees Retirement Plan for certain specified employees of the College. The plan is a non-registered unfunded pension plan that supplements the benefits received under the registered Local Authorities Pension Plan in Alberta.

Note 22 Deferred Compensation Plan (continued)

The accrued benefit obligation of June 30, 2004 is $240,500, which reflects an amortization period for the transition of 1 year. The benefit was calculated using the actuarial cost method. The actuarial assumptions used in calculating this benefit are as follows:

Expected average remaining service life	7 years
Assumed rate of return on assets	6.5%
Assumed discount rate on liabilities	6.5%
Weighted average expected increase in salaries	4%
Estimated inflation used	2.5%.
Retirement age	60 - 65 years

Yearly Maximum Pensionable Earnings of $40,500 for 2004 is estimated to increase by 3.5% per year.

The expected employer contribution amount for 2005 is $33,100.

The plan is a defined benefit plan. Yearly benefits will be calculated, as 1.4% of the participant's final average earnings up to the average yearly maximum pensionable earnings, plus 2.0% of the participant's final average earnings in excess of the average yearly maximum pensionable earnings adjusted for early retirement and pensionable service time.

The College informed the Minister of Learning of its intention to create a supplementary pension plan and is working with the Ministry for the approval of the Minister.

Note 23 Budget

The budget was approved by the Board of Governors on June 3, 2003.

Note 24 Comparative Figures

Certain 2003 figures have been reclassified to conform to the 2004 presentation.

Note 25 Approval of Financial Statements

These consolidated financial statements have been approved by the Board of Governors.

The Northern Alberta Institute of Technology

Consolidated Financial Statements

June 30, 2004

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations and Changes in Net Assets

Consolidated Statement of Cash Flow

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of the Northern Alberta Institute of Technology

I have audited the consolidated statement of financial position of the Northern Alberta Institute of Technology as at June 30, 2004 and the consolidated statements of operations and changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the Institute's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Institute as at June 30, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
September 10, 2004

THE NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2004
(in thousands)

	2004	2003
ASSETS		
Current:		
Cash and Short-term investments (Note 3)	$ 3,855	$ 1,219
Account receivable (Note 4)	4,927	4,321
Contributions and pledges receivable (Note 5)	2,074	2,205
Inventories (Note 6)	3,261	3,447
Prepaid expenses	732	985
	14,849	12,177
Contributions and pledges receivable (Note 5)	3,125	3,802
Long-term investments (Note 3)	42,429	27,666
Capital assets (Note 7)	170,272	173,945
	$ 230,675	$ 217,590
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 13,609	$ 11,323
Accrued vacation pay	10,140	10,554
Unearned revenue	7,569	6,530
Current portion of long-term leases (Note 8)	584	236
Current portion of long-term debt	-	139
Deferred contributions (Note 9)	5,302	5,618
	37,204	34,400
Deferred capital contributions (Note 10)	5,413	1,598
Long-term leases (Note 8)	1,161	312
Unamortized deferred capital contributions (Note 11)	98,080	99,529
	141,858	135,839
Net Assets:		
Unrestricted net assets (deficiency)	7,353	(970)
Internally restricted (Note 12)	1,743	-
Invested in capital assets (Note 7)	70,447	73,729
Endowments (Note 13)	9,274	8,992
	88,817	81,751
	$ 230,675	$ 217,590

The accompanying notes are part of these consolidated financial statements.

THE NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY

CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2004

(in thousands)

	2004					2003
	Unrestricted	Internally Restricted	Invested in Capital Assets	Endowment	Total	Total
Revenue:						
Grants	$ 97,594	$ -	$ -	$ -	$ 97,594	$ 92,038
Earned revenue programs	27,052	-	-	-	27,052	24,467
Tuition and other fees	26,538	-	-	-	26,538	24,448
Ancillary services (Note 14)	14,844	-	-	-	14,844	14,421
Amortization of deferred capital contributions	6,384	-	-	-	6,384	6,273
Sales, rentals, services and other	4,858	-	-	-	4,858	4,131
Investment earnings (Note 15)	2,298	-	-	-	2,298	1,373
Fundraising and donations	2,497	-	-	-	2,497	2,178
	182,065	-	-	-	182,065	169,329
Expense (Note 16)						
Salary and benefits (Note 17)	115,164	-	-	-	115,164	109,446
Supplies and services (Note 18)	39,442	-	-	-	39,442	36,987
Amortization of capital assets	12,276	-	-	-	12,276	12,229
Utilities	6,546	-	-	-	6,546	6,727
Facilities rentals	646	-	-	-	646	552
Scholarships, bursaries and prizes	815	-	-	-	815	765
Loss on disposal of capital assets	392	-	-	-	392	246
	175,281	-	-	-	175,281	166,952
Excess of revenue over expense	6,784	-	-	-	6,784	2,377
Release of internally restricted net assets for current operating activities	436	(436)	-	-	-	-
Net endowment contributions (Note 13)	-	-	-	282	282	1,082
Amortization of assets acquired with unrestricted net assets	5,892	-	(5,892)	-	-	-
Book value of capital assets disposed	562	-	(562)	-	-	-
Purchases of capital assets	(4,346)	(77)	4,423	-	-	-
Reduction of temporary financing of NAIT HP Centre	1,719	-	(1,719)	-	-	-
Repayment of long-term lease	(329)	-	329	-	-	-
Repayment of long-term debt	(139)	-	139	-	-	-
Board allocation to internally restricted net assets	(2,256)	2,256	-	-	-	-
Change in net asset balance	8,323	1,743	(3,282)	282	7,066	3,459
Net asset (deficiency) balance, beginning of year	(970)	-	73,729	8,992	81,751	78,292
Net asset balance, end of year	$ 7,353	$ 1,743	$ 70,447	$ 9,274	$ 88,817	$ 81,751

THE NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED JUNE 30, 2004

(in thousands)

	2004	2003
Cash provided from (used in) operating activities:		
Excess of revenue over expense	$ 6,784	$ 2,377
Non-cash transactions:		
Amortization of capital assets	12,276	12,229
Loss on disposal of capital assets	392	246
Amortization of deferred capital contributions	(6,384)	(6,273)
Cash generated from operations	13,068	8,579
Changes in non-cash working capital accounts (Note 19)	2,559	(4,562)
	15,627	4,017
Cash provided from (used in) investing activities:		
Acquisition of capital assets:		
Externally funded	(3,216)	(6,449)
Internally funded	(4,423)	(5,589)
Capital lease financed	(1,526)	(393)
Long-term debt financed	-	(3)
	(9,165)	(12,434)
Proceeds from disposal of capital assets	170	81
(Purchase of) proceeds from long-term investments - net	(14,763)	(1,498)
	(23,758)	(13,851)
Cash provided from (used in) financing activities:		
Deferred contributions for capital purposes	9,232	7,461
Long-term leases - net	1,197	116
Long-term debt	(139)	(137)
Endowment contributions	477	1,295
	10,767	8,735
Net increase (decrease) in cash and short-term investments	2,636	(1,099)
Cash and short-term investments, beginning of year	1,219	2,318
Cash and short-term investments, end of year	$ 3,855	$ 1,219

NOTES TO THE JUNE 30, 2004 CONSOLIDATED FINANCIAL STATEMENTS

(financial data expressed in thousands unless otherwise noted)

Note 1 Authority and Purpose

The Northern Alberta Institute of Technology (the "Institute") operates under the authority of the Post-secondary Learning Act, Chapter P-19.5, Statutes of Alberta, 2003. The Institute offers career-orientated training in business, computer systems, architectural and engineering technologies, environmental and laboratory technologies, health sciences, hospitality and applied arts for the economic development of Alberta and Canada. The Institute is exempt from payment of income tax under Section 149 of the Income Tax Act.

Note 2 Significant Accounting Policies and Reporting Practices

a) Consolidation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Institute and The Northern Alberta Institute of Technology Foundation (operating as NAIT Development Office).

In preparing the Institute's consolidated financial statements management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the period. Management believes its estimates to be appropriate, however, actual results could differ from these estimates.

b) Revenue Recognition

Unrestricted contributions are recognized as revenue when received, or when receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted investment income, which includes interest, dividends and realized gains and losses, is recognized as revenue is earned. Pledges are recognized as revenue when collection is reasonably assured.

Revenues received for the provision of goods or services are recognized in the period in which the goods are provided or the services rendered or substantially rendered. Tuition fees are recognized as revenue when the related instruction is delivered.

Restricted contributions are recognized as revenue in accordance with the deferral method, as summarized below:

> Contributions, including investment income, restricted for purposes other than endowment or the acquisition of capital assets are deferred and recognized as revenue in the year in which the conditions of the contribution are met. Contributions restricted to the acquisition of capital assets having limited life are initially recorded as deferred capital contributions in the period in which they are received and, when expended, are transferred to unamortized deferred capital contributions and amortized to revenue over the useful lives of the related assets.
>
> Endowment contributions are recognized as direct increases in net assets.
>
> Contributions restricted to the acquisition of non-consumable capital assets are initially recorded as deferred capital contributions in the period in which they are received and, when expended, are recognized as direct increases in net assets.

c) Inventories

Inventories of merchandise for resale are valued at the lower of average cost and net realizable value. Inventories of supplies for consumption are valued at the lower of average cost or replacement value.

d) Financial Instruments

The fair values of the Institute's accounts receivable, accounts payable and accrued liabilities, and accrued vacation pay approximate their carrying values due to the relatively short periods to maturity of the instruments.

e) Capital Assets

Capital assets are amortized on a straight-line basis over the following average useful lives:

Buildings and renovations	40 years
Site improvements	10 years
Leasehold improvements	Lease term
Furnishings, equipment and vehicles	2 to 10 years
Software	2 to 5 years
Library holdings	10 years

f) Employee Future benefits

The Institute and its eligible employees participate in the Local Authorities and Management Employees Pension Plans. These plans are multi-employer defined benefit pension plans, administered by the Alberta Pensions Administration Corporation and provide pensions for the Institute's employees based on years of service and earnings.

Pension costs included in these consolidated financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the respective pension plan. The Institute's portion of the pension plans' deficit or surplus is not recorded by the Institute.

Note 3 Cash, Short-term Investments and Long-term Investments

Cash, short-term investments and long-term investments are recorded at cost or amortized cost, less provision for decline in market value that is other than temporary. Market value is based upon the quoted market price of the securities. Gains or losses are recognized as investment income in the year of sale.

The Institute's investment policy is dedicated to optimizing the return on investment while ensuring that the assets of the Institute are at all times prudently invested while minimizing the potential for loss of capital.

Specific guidelines have been established with respect to asset mix, diversification, security, and performance measurement as well as quality, liquidity and term constraints.

a) Cash and Short-term Investments

In addition to cash on hand and on deposit, cash and short-term investments, consisting of Banker's Acceptances and Government of Canada Treasury Bills, all mature within one year and bear interest at a weighted average of 2.01% (2003: 3.23%). The effective yield of 2.01% (2003: 3.23%) represents the rate which discounts future cash receipts to the carrying value at June 30, 2004. Carrying value of these securities approximates market value.

The Institute manages an additional $1,774 (2003: $1,457) of short-term investments as Funds Held on Behalf of Others (Note 23), which are not included in the consolidated financial statements.

The Institute's investment guidelines restrict holdings of short-term investments to high quality and liquid securities where rate of return performance standard is the return on 91-day Canadian Treasury Bills.

b) Long-term Investments

	2004		2003	
	Recorded Value	Market Value	Recorded Value	Market Value
Government of Canada bonds	$ 11,367	$ 11,405	$ 6,127	$ 6,328
Provincial bonds	5,882	6,051	4,668	4,972
Corporate bonds	6,951	7,024	4,639	4,817
Equities	18,079	20,973	12,062	12,340
Other	150	158	170	168
	$ 42,429	$ 45,611	$ 27,666	$ 28,625
Equities are comprised of:				
Canadian equities	$ 9,048	$ 10,664	$ 5,778	$ 6,349
Foreign equities	9,031	10,309	6,284	5,991
	$ 18,079	$ 20,973	$ 12,062	$ 12,340

	2004	2003
Government of Canada Bonds		
Weighted average years to maturity	5.9 years	4.5 years
Weighted average interest rate	4.91%	5.13%
Effective yield based on purchase price	4.37%	4.70%
Provincial Bonds		
Weighted average years to maturity	8.2 years	8.8 years
Weighted average interest rate	5.30%	5.73%
Effective yield based on purchase price	4.66%	5.19%
Corporate Bonds		
Weighted average years to maturity	7.8 years	7.3 years
Weighted average interest rate	5.80%	5.99%
Effective yield based on purchase price	5.39%	5.93%

Term to maturity of bonds is based upon the contractual maturity of the security. Effective yields represent the rate that discounts future cash receipts to the purchase price.

In accordance with the Institute's investment guidelines, risk on long-term investment is managed by:

- requiring that all bonds be rated "A" or better by the Dominion Bond Rating Service or an equivalent recognized rating agency;
- holding a diversified selection of Canadian equities with a minimum of twenty securities and limiting exposure in any one security or issuer to 10% of the equity portfolio.
- limiting investment in foreign equities to a maximum of 50% of the market value of the total equity portfolio with no funds invested in emerging markets.

Note 4 Accounts Receivable

	2004	2003
Canadian accounts receivable	$ 4,411	$ 4,057
Foreign accounts receivable	290	105
Accrued interest on investment	226	159
	$ 4,927	$ 4,321

NOTES TO THE JUNE 30, 2004 CONSOLIDATED FINANCIAL STATEMENTS

(financial data expressed in thousands unless otherwise noted)

Note 5 Contributions and Pledges Receivable

	2004	2003
NAIT HP Centre for Information and Communications Technology		
Pledged donations	$ 1,171	$ 1,823
Alberta Government contribution	338	1,158
Aboriginal Centre and Mobile Units	1,008	-
Centre for Culinary Arts	851	856
General student awards	502	439
Other projects	485	132
Centre for Chemical Studies	395	754
Student Awards Endowments	232	470
Infrastructure projects	18	148
Hands on Learning Endowments	89	46
Centre for Welding Technology	60	181
Fuel Cell Applied Research project	50	-
	$ 5,199	$ 6,007
Presented as:		
Current contributions and pledges	$ 2,074	$ 2,205
Non-current contributions and pledges	3,125	3,802
	$ 5,199	$ 6,007

Note 6 Inventories

	2004	2003
Bookstore	$ 1,724	$ 1,810
Resources and Environmental Management	428	471
General stores	283	348
Maintenance	222	226
Applied Building Science	196	243
Mechanical and Manufacturing Technology	153	158
Electrical and Electronics Technology	135	136
Other	120	55
	$ 3,261	$ 3,447

Note 7 Capital Assets

a) Summary of Cost and Net Book Value

	2004			2003
	Cost and Appraised Value	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 31,736	$ -	$ 31,736	$ 31,736
Buildings, leasehold and site improvements	182,810	70,852	111,958	117,263
Furnishings, equipment and vehicles	76,775	54,348	22,427	19,974
Software	6,652	5,761	891	1,465
Leased equipment	3,243	1,180	2,063	885
Library	3,068	1,974	1,094	970
Projects in progress	103	-	103	1,652
	$ 304,387	$ 134,115	$ 170,272	$ 173,945

b) Net Book Value of Capital Assets are comprised as follows:

	2004	2003
Externally funded (unamortized deferred capital contributions - Note 11)	$ 98,080	$ 99,529
Internally funded (invested in capital assets)	70,447	73,729
Long-term leases (Note 8)	1,745	548
Long-term debt	-	139
	$ 170,272	$ 173,945

c) Capital Acquisitions

Capital acquisitions during the year included certain donations in kind with a fair value of $995 (2003: $1,197).

Note 8 Long-term Leases

The following is a schedule of future minimum payments as of June 30, 2004 under capital leases:

2005	$	584
2006		448
2007		448
2008		373
2009		183
Total minimum lease payments		2,036
Less: long-term lease premium		(291)
	$	1,745
Balance comprised of:		
Current portion of long-term leases	$	584
Long-term leases		1,161
	$	1,745

Note 9 Deferred Contributions

Deferred contributions represent unspent funds externally restricted for non-capital purposes.

	2004	2003
Contributions:		
Grants	$ 13,192	$ 12,668
Fundraising and donations	1,962	2,353
Earned revenue programs	515	348
Investment earnings	480	292
	16,149	15,661
Transferred to:		
Grants revenue	(13,568)	(14,207)
Fundraising and donations	(2,117)	(1,896)
Earned revenue programs	(412)	(363)
Investment earnings (Note 15)	(366)	(431)
Special Staff Development Fund	-	(11)
Endowments (Note 13)	(2)	-
	(16,465)	(16,908)
Change in Deferred contributions	(316)	(1,247)
Deferred contributions, beginning of year	5,618	6,865
Deferred contributions, end of year	$ 5,302	$ 5,618

The balance consists of funds restricted for/by:

	2004	2003
Scholarships and bursaries	$ 1,646	$ 1,141
Access programs	1,287	1,808
Infrastructure Maintenance Program	872	855
Other	694	352
Renovation projects	422	1,173
Students Athletics	341	238
Project sponsorships	40	43
Learning Enhancement Envelope	-	8
	$ 5,302	$ 5,618

Note 10 Deferred Capital Contributions

Deferred capital contributions represent unspent funds externally restricted for capital purposes.

	2004	2003
Contributions:		
Grants - Alberta Government	$ 5,231	$ 3,551
Grants - Fuel Cell Applied Research Project	415	2,112
Fundraising and donations	3,104	3,311
	8,750	8,974
Transferred to unamortized deferred capital contributions (Note 11)		
Acquisition of capital assets during year	(3,216)	(6,449)
Reduction of temporary financing of NAIT HP Centre	(1,719)	(1,474)
Change in Deferred capital contributions	3,815	1,051
Deferred capital contributions beginning of year	1,598	547
Deferred capital contributions, end of year	$ 5,413	$ 1,598
The balance consists of funds restricted for/by:		
NAIT Centre for Apprenticeship Technologies	$ 2,000	$ -
Apprenticeship program equipment	1,130	240
Mobile Education Training Units	957	-
Duncan McNeill Centre for Innovation	659	-
Other capital	412	273
Fuel Cell Applied Research Project	255	856
Heavy Equipment Technology	-	229
	$ 5,413	$ 1,598

Note 11 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the external funding of capital assets which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contributions are as follows:

	2004	2003
Balance, beginning of year	$ 99,529	$ 97,879
Add:		
Amount transferred from deferred contributions for capital purposes (Note 10)		
Acquisition of capital assets during year	3,216	6,449
Reduction of temporary financing of NAIT HP Centre	1,719	1,474
Less:		
Amortization of deferred capital contributions	(6,384)	(6,273)
Balance, end of year	$ 98,080	$ 99,529

Note 12 Internally Restricted Net Assets

Internally restricted net assets represent those commitments for which the Board has appropriated funds from the unrestricted net assets. These appropriations do not have interest earnings allocated to them. Internally restricted net assets are summarized as follows:

	Balance at beginning of year	Appropriations from unrestricted net assets	Disbursements during the year	Balance at end of year
Appropriation for capital activities:				
Information Systems renewal	$ -	$ 1,000	$ -	$ 1,000
Capital renewal	-	82	-	82
Incentive funding	-	8	8	-
Innovation funding	-	68	68	-
Revenue sharing	-	1	1	-
	-	1,159	77	1,082
Appropriation for operating activities:				
Innovation funding	-	674	274	400
Revenue sharing	-	198	37	161
Coursepack royalties	-	208	121	87
Information Systems renewal	-	16	3	13
Incentive funding	-	1	1	-
	-	1,097	436	661
	$ -	$ 2,256	$ 513	$ 1,743

Note 13 Endowments

Endowments consist of restricted donations to the Institute, the principal of which is required to be maintained intact in perpetuity as well as any internal allocations by the Board. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board.

	2004	2003
Fundraising and Donations	$ 280	$ 1,082
Transferred from Deferred Contributions (Note 9)	2	-
Change in Endowments	282	1,082
Endowments, beginning of year	8,992	7,910
Endowments, end of year	$ 9,274	$ 8,992
The balance consists of:		
Scholarships and bursaries	$ 6,861	$ 6,639
General	2,036	2,034
Staff Development	377	319
	$ 9,274	$ 8,992

Note 14 Ancillary Services

	2004			2003
	Revenue	Expense	Net	Net (restated)
Bookstore	$ 13,320	$ 12,715	$ 605	$ 659
Food Services	4,658	4,079	579	530
Parking	1,651	1,020	631	908
	19,629	17,814	1,815	2,097
Less internal sales:				
Bookstore	(4,395)	(4,102)	(293)	(372)
Food Services	(374)	(374)	-	-
Parking	(16)	-	(16)	(8)
	$ 14,844	$ 13,338	$ 1,506	$ 1,717

Note 15 Investment Earnings

	2004	2003
Investment earnings from unrestricted sources	$ 1,932	$ 942
Investment earnings from restricted sources (Note 9)	366	431
	$ 2,298	$ 1,373

NOTES TO THE JUNE 30, 2004 CONSOLIDATED FINANCIAL STATEMENTS

(financial data expressed in thousands unless otherwise noted)

Note 16 Segmented Financial Information

The following provides information on the Institute's operating segments, leading to the calculation of the tuition revenue and net program cost per full load equivalent student for the Certificate, Diploma and Applied Degree Programs, and the Apprenticeship Training Programs:

	Note	Certificate, Diploma and Applied Degree Programs	Apprenticeship Training Programs	Other Programs and Services	Total
a) **Full-load equivalent students (FLE)**	(i)				
2003/04		8,018	2,458		10,476
2002/03 (restated - see note iv)		8,511	2,369		10,880
b) **Tuition and earned revenue**	(ii)				
2003/04					
Tuition and other fees		$ 19,169	$ 4,840	$ 2,529	$ 26,538
Earned revenue programs		6,523	-	20,529	27,052
		$ 25,692	$ 4,840	$ 23,058	$ 53,590
2002/03					
Tuition and other fees		$ 18,445	$ 3,576	$ 2,427	$ 24,448
Earned revenue programs (restated - see note iv)		6,652	-	17,815	24,467
		$ 25,097	$ 3,576	$ 20,242	$ 48,915
c) **Net program cost**	(iii)				
2003/04					
Expenses per financial statements		$ 93,604	$ 38,346	$ 43,331	$ 175,281
Less cost recoveries		(507)	(217)	-	(724)
		$ 93,097	$ 38,129	$ 43,331	$ 174,557
2002/03 (restated - see note iv)					
Expenses per financial statements		$ 92,018	$ 35,474	$ 39,460	$ 166,952
Less cost recoveries		(474)	(210)	-	(684)
		$ 91,544	$ 35,264	$ 39,460	$ 166,268
d) **Tuition revenue per FLE (in dollars)**					
2003/04		$ 3,204	$ 1,969		
2002/03 (restated - see note iv)		$ 2,949	$ 1,509		
e) **Net program cost per FLE (in dollars)**					
2003/04		$ 11,611	$ 15,512		
2002/03 (restated - see note iv)		$ 10,756	$ 14,886		

Note (i) – Full-Load Equivalent Students (FLE)
As defined by Alberta Learning, one full-load equivalent student reflects one student completing the full load for one year of study in a program, or several students combining to complete the equivalent of a normal full load.

Note (ii) - Tuition Revenue
Tuition Revenue for the Certificate, Diploma and Applied Degree segment consist of all tuition fees for credit FLE's, and include tuition fees from credit continuing education courses that are recorded in the Earned Revenue Programs line on the Consolidated Statement of Operations.

Tuition Revenue for the Apprenticeship Training Program segment consist of all fees charged to apprenticeship students in accordance with the rates approved by Alberta Learning.

Revenue for the Other Programs and Services segment consist of fees not subject to the Alberta Learning Tuition Fee Policy as well as all fees charged for non-credit continuing education courses, international education and athletics programs.

Note (iii) - Net Program Cost
Operating expenses are allocated to the operating segments based on the Provincial Program Costing Methodology as recommended by Alberta Learning.

Net program cost for the Other Program and Services segment consists of all expenses not attributed to the Certificate, Diploma and Applied Degree and the Apprenticeship Training Program segment. It includes non-credit continuing education courses, international education projects, athletic programs, ancillary operations (Bookstore, Food Services and Parking) and expenses relating to fundraising events of the NAIT Development Office.

Note (iv) – Restatement of 2002/03 FLE, net program cost and revenue
Certain 2002/03 figures were restated to be consistent with current year's presentation and the final approved FLE and net program cost.

Note 17 Salary and Benefits

(a) Pension Costs (Employee Benefits)

The pension expense recorded in Salary and benefits is equivalent to the Institutes' annual contributions payable of $5,872 for the year ended June 30, 2004 (2003 $4,845).

(b) Salary Disclosure

	2004				2003
	Base Salary	Other Cash Benefits	Other Non-cash Benefits	Total	Total
Chairman of The Board	$ -	$ -	$ -	$ -	$ -
Board Members	-	-	6	6	6
President	200	71	15	286	245
Vice-Presidents					
Finance and Administration	149	14	15	178	169
Academic and Student Services	102	5	16	123	149
External Relations	96	15	11	122	123
Dean, Business Development	112	11	14	137	120

The Chair and members of the Board of Governors receive no remuneration for the services they provide as members of the Board of Governors, with the exception of the two student representatives who receive a benefit equal to their tuition fee.

Base salary includes pensionable base pay. Other cash benefits include bonuses and honoraria. Other non-cash benefits include the Institute's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long-term disability plans and professional memberships required for employment. The President has been provided with an automobile by the Institute for which no amount is included in the other non-cash benefits.

The President and the Vice President, External Relations each received $11 for vacation payouts. These amounts are included in other cash benefits above.

The position of Vice President, Academic and Student Services was vacant from July 1, 2003 to August 24, 2003. The position of Vice President, External Relations was vacant from February 25, 2004 to June 30, 2004.

Note 18 Supplies and Services

Supplies and services are summarized by the following major groupings:

	2004	2003
Cost of goods sold	$ 10,528	$ 10,244
Purchased labour	9,086	7,176
Classroom, lab and office supplies	5,441	5,678
Repairs, maintenance, renovations	5,484	5,367
Purchased services	2,694	2,787
Administrative expenses	2,888	2,497
Travel, staff development	2,170	1,979
Fundraising and donations	490	694
Meetings, hospitality	661	565
	$ 39,442	$ 36,987

Note 19 Changes in Non-Cash Working Capital Accounts

	2004	2003
Accounts receivable	$ (606)	$ 525
Contributions and pledges receivable	131	(682)
Inventories	186	564
Prepaid expenses	253	25
Accounts payable and accrued liabilities	2,286	(4,312)
Accrued vacation pay	(414)	478
Unearned revenue	1,039	87
Deferred contributions	(316)	(1,247)
	$ 2,559	$ (4,562)

NOTES TO THE JUNE 30, 2004 CONSOLIDATED FINANCIAL STATEMENTS

(financial data expressed in thousands unless otherwise noted)

Note 20 Commitments

The future minimum payments as of June 30, 2004 under operating leases:

2005	$ 296
2006	$ 265
2007	$ 241

Note 21 Contingent Liabilities

The Institute is a defendant in a number of legal proceedings. The Institute has recorded a provision in these financial statements based upon Management's estimates of the potential outcome of such proceedings. Additional costs of settling these claims, if any, will be charged to operations upon settlement, which in Management's opinion will not have a material effect on the financial position of the Institute.

Note 22 Amalgamation with Fairview College

On April 14, 2003 the NAIT and Fairview College Boards of Governors entered into a partnership agreement, approved by the Minister of Learning, where the NAIT Board will be responsible for the mandate currently being fulfilled by the Fairview College Board effective July 1, 2004.

The Agreement for the Transfer of Fairview College was signed by the Minister of Learning and the Board of Governors of both Fairview College and the Institute in May 2004. Under this Agreement, all assets, liabilities, net assets, revenues and expenditures of Fairview College will be transferred to the Institute effective July 1, 2004.

For the year ended June 30, 2004 Fairview College had operating revenue of $22,504 and operating expenditures of $21,030. As at June 30, 2004 Fairview College had the following assets, liabilities and net assets:

ASSETS	
Current:	
Cash	$ 8,258
Account receivable	755
Inventories	229
Prepaid expenses	72
	9,314
Investments	5,359
Capital assets	18,894
	$ 33,567
LIABILITIES AND NET ASSETS	
Current:	
Accounts payable and accrued liabilities	$ 707
Accrued vacation pay	587
Unearned revenue	56
Deferred contributions	952
	2,302
Deferred capital contributions	742
Long-term liability	359
Supplementary retirement plans	557
Unamortized deferred capital contributions	10,111
	14,071
Net Assets:	
Unrestricted net assets	5,154
Internally restricted	3,486
Invested in capital assets	8,783
Endowments	2,073
	19,496
	$ 33,567

NOTES TO THE JUNE 30, 2004 CONSOLIDATED FINANCIAL STATEMENTS

(financial data expressed in thousands unless otherwise noted)

Note 23 Funds Held on Behalf of Others

The Institute holds the following funds on behalf of others over which the Board has no power of appropriation. Accordingly, these funds are not included in the consolidated financial statements.

	2004	2003
Government of Alberta Individual Learning Modules	$ 1,261	$ 822
NAIT Student's Association	204	320
Alberta Association of Colleges and Technical Institutes	185	54
Government of Alberta Diagnostic Imaging Projects	123	145
Government of Alberta Apprenticeship Initiative	1	116
	$ 1,774	$ 1,457

NOTES TO THE JUNE 30, 2004 CONSOLIDATED FINANCIAL STATEMENTS
(financial data expressed in thousands unless otherwise noted)

Note 24 Related Party Transactions

The Institute is a Provincial Corporation as all the members of the Board of Governors are appointed by statute (the Technical Institutes Act and Post-secondary Learning Act) or by combination of orders by the Lieutenant Governor-in-Council and the Minister of Learning.

The Institute received $ 103,577 in 2004 (2003: $93,030) of grants from the Province of Alberta and repaid $53 (2003: nil) to the Province of Alberta. Adjusted for the accrual basis of accounting, these amounts have been recognized in the consolidated financial statements as follows:

	2004			
	Deferred contributions	Deferred capital contributions	Grant revenue	Total
Alberta Learning				
Regular Operating	$ -	$ -	$ 78,943	$ 78,943
Operating and Maintenance	-	-	2,380	2,380
Performance funding	-	-	839	839
Access Funding	12,548	1,541	-	14,089
Conditional	259	-	-	259
NAIT/Fairview College transition	430	-	-	430
Less transferred to Fairview College	(200)	-	-	(200)
Alberta Infrastructure				-
Infrastructure Maintenance	155	3,690	-	3,845
	13,192	5,231	82,162	100,585
Deferred contributions recognized as grant revenue	(13,568)	-	13,568	-
	$ (376)	$ 5,231	$ 95,730	$ 100,585

	2003			
	Deferred contributions	Deferred capital contributions	Grant revenue	Total
Alberta Learning				
Regular Operating	$ -	$ -	$ 77,831	$ 77,831
Access Funding	11,889	492	-	12,381
Conditional	376	-	-	376
Alberta Infrastructure				-
Infrastructure Maintenance	403	3,059	-	3,462
	12,668	3,551	77,831	94,050
Deferred contributions recognized as grant revenue	(14,207)	-	14,207	-
	$ (1,539)	$ 3,551	$ 92,038	$ 94,050

In 2004, the Institute provided courses to provincial government departments and participated in the development, sale and offering of certain courses with other public colleges and the Southern Alberta Institute of Technology. The revenues and expenses incurred for these have been included in the consolidated statement of operations but have not been separately quantified. These transactions were entered into on the same business terms as with non-related parties and are recorded at fair market value.

Note 25 Planned Expansion in Apprenticeship Training Capacity

On April 25, 2004, the Alberta government announced capital funding support for the NAIT Centre For Apprenticeship Technologies in the amount of $40,000, which is 62.7% of the total capital budget of $63,800. The remaining $23,800 (37.3%) is to come from NAIT's annual capital budget and other capital contributions over the next five years. As at June 30, 2004, NAIT has received $2,000 of the Provincial funding support, which is recorded in deferred capital contributions as disclosed in Note 10.

The NAIT Centre For Apprenticeship Technologies expands apprenticeship technical training on three of NAIT's Edmonton campuses, namely Main campus, Souch campus, and Patricia campus, and also includes an apprenticeship technical training campus in Grande Prairie.

On June 1, 2004, the NAIT Board of Governors approved proceeding with the Main campus and Souch campus phases of the project. No expenditures were incurred on the project as at June 30, 2004. Subsequent to June 30, 2004, NAIT has engaged the Prime Consultants, Sub-consultants, and Construction Managers for both the Souch campus and Main campus phases of the project, which are scheduled to open in September 2006 and September 2007 respectively. The Patricia campus and Grande Prairie campus phases of the project are presently scheduled for completion by September 2008.

Note 26 Budget

The Institute's Board of Governors approved the following consolidated operating budget at the May 5, 2003 Board meeting. At that meeting, the Board also approved capital expenditures and appropriations of $6,129.

Revenue:		
Grants	$	93,753
Tuition and other fees		27,510
Earned revenue programs		26,863
Ancillary services		14,007
Amortization of deferred capital contributions		6,366
Sales, rentals and services		2,778
Investment earnings		2,024
Fundraising and donations		982
		174,283
Expense:		
Salary and benefits		118,462
Supplies and services		35,008
Amortization of capital assets		12,495
Utilities		7,159
Facilities rentals		459
Scholarships and bursaries		600
Loss on disposal of capital assets		100
		174,283
Excess of revenue over expense		-
Adjust for non-cash items		
Amortization of capital assets		12,495
Amortization of deferred capital contributions		(6,366)
Cash available for capital budget and appropriation		6,129
Book value of disposed capital assets		368
Contribution to annual capital budget		(4,373)
Contribution to campus expansion		(1,732)
Contribution to campus renewal or equipment		(67)
Repayment of long-term lease		(186)
Repayment of long-term debt		(139)
Balanced budget	$	-

Note 27 Approval of Consolidated Financial Statements

These consolidated financial statements were approved by the Board of Governors.

SOUTHERN ALBERTA INSTITUTE

OF TECHNOLOGY

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004

Auditor's Report

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AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of the
Southern Alberta Institute of Technology

I have audited the consolidated statement of financial position of the Southern Alberta Institute of Technology as at June 30, 2004 and the consolidated statements of operations, changes in net assets, and cash flows for the year then ended. I have also audited the consolidated statement of supplementary performance information for the year ended June 30, 2004. These consolidated statements are the responsibility of the Institute's management. My responsibility is to express an opinion on these consolidated statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Institute as at June 30, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

In my opinion, the consolidated statement of supplementary performance information presents fairly, in all material respects, the Institute's performance in accordance with the disclosed basis of measurement and presentation as described in the notes to the statements.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
September 10, 2004

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2004
(in thousands)

	2004	2003
ASSETS		
Current assets:		
Cash and short-term investments (Note 3)	$ 36,956	$ 4,912
Accounts receivable (Note 4)	8,461	8,713
Inventories (Note 6)	1,914	1,161
Prepaid expenses	445	978
	47,776	15,764
Long-term receivable (Note 5)	-	544
Investments (Note 3)	13,311	38,555
Capital assets (Note 7)	204,988	199,896
	$ 266,075	$ 254,759
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities (Note 8)	$ 17,963	$ 15,045
Accrued vacation pay	8,030	7,555
Unearned revenue (Note 9)	7,932	6,705
Deferred salary plans	404	396
Deferred contributions (Note 11)	14,757	8,131
Current portion of long-term liabilities (Note 13)	549	3,586
	49,635	41,418
Deferred capital contributions (Note 12)	4,090	13,919
Long-term liabilities (Note 13)	19,524	56,638
Unamortized deferred capital contributions (Note 14)	120,758	75,976
	194,007	187,951
Net assets:		
Unrestricted net assets (deficiency)	(1,310)	(5,472)
Invested in capital assets (Note 15)	64,157	63,696
	62,847	58,224
Endowments (Note 16)	9,221	8,584
	72,068	66,808
	$ 266,075	$ 254,759

Commitments and Contingencies (Note 27)

Approved by the Board of Governors:

Douglas Mitchell, Chair of the Board

John Aldred, Chair of the Audit & Financial Governance Committee

The accompanying notes are part of these consolidated financial statements.

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2004
(in thousands)

	2004		2003
	Budget (Note 18)	**Actual**	Actual
Revenue:			
Grants	**$ 81,711**	**$ 88,418**	$ 79,092
Earned revenue programs	**39,241**	**34,978**	35,135
Tuition and related fees	**25,883**	**29,116**	26,708
Commercial services	**19,653**	**17,775**	16,760
Sales, rentals and services	**6,408**	**4,411**	5,164
Investment income (Note 3)	**600**	**787**	610
Donations, contributions and income on restricted contributions (Note 26)	**2,200**	**6,765**	7,094
	175,696	**182,250**	170,563
Earned capital contributions (Note 14)	**8,700**	**7,582**	7,400
	184,396	**189,832**	177,963
Expense:			
Salaries, wages and benefits (Note 19)	**110,187**	**106,042**	103,481
Supplies and services (Note 26)	**33,794**	**38,021**	33,820
Repairs and maintenance	**8,533**	**8,986**	8,666
Utilities	**8,353**	**8,425**	7,398
Interest expense	**4,029**	**4,046**	4,301
Scholarships and projects	**1,000**	**3,235**	3,306
Amortization of capital assets	**18,500**	**14,647**	17,015
Loss on disposal of capital assets	**-**	**1,807**	368
	184,396	**185,209**	178,355
Excess (deficiency) of revenue over expense	**-**	**$ 4,623**	$ (392)

The accompanying notes are part of these consolidated financial statements.

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2004

(in thousands)

			2004			2003
	Unrestricted	Investment in Capital Assets	Sub-Total	Endowments	Total	Total
Excess (deficiency) of revenue over expense	$ 4,623	$ -	$ 4,623	$ -	$ 4,623	$ (392)
Transfers for:						
Acquisition of capital assets	(5,169)	5,169	-	-	-	-
Repayment of long-term liabilities related to capital assets	(4,665)	4,665	-	-	-	-
Amortization of capital assets	7,065	(7,065)	-	-	-	-
Disposition of capital assets	2,308	(2,308)	-	-	-	-
Endowment contributions	-	-	-	637	637	391
Increase (decrease) in net assets	4,162	461	4,623	637	5,260	(1)
Net assets, beginning of year	(5,472)	63,696	58,224	8,584	66,808	66,809
Net assets, end of year	$ (1,310)	$ 64,157	$ 62,847	$ 9,221	$ 72,068	$ 66,808

The accompanying notes are part of these consolidated financial statements.

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004
(in thousands)

	2004	2003
Operating Activities:		
Excess (deficiency) of revenue over expense	$ 4,623	$ (392)
Non-cash transactions:		
Amortization of capital assets	14,647	17,015
Earned capital contributions (Note 14)	(7,582)	(7,400)
Loss on disposal of capital assets	1,807	368
	13,495	9,591
Changes in non-cash working capital (Note 22)	11,286	(1,532)
Cash generated from operating activities	24,781	8,059
Investing Activities:		
Decrease in long-term receivable	544	62
Acquisition of capital assets	(22,047)	(14,230)
Redemption (purchase) of investments, net	25,244	(370)
Proceeds from disposal of capital assets	501	575
Cash generated from (used in) investing activities	4,242	(13,963)
Financing Activities:		
Repayment of long-term liabilities	(40,151)	(3,258)
Endowment contributions	637	391
Contributed equipment (Note 14)	626	2,137
Capital contributions (Note 12)	41,909	3,485
Cash generated from financing activities	3,021	2,755
Increase (decrease) in cash and short-term investments	32,044	(3,149)
Cash and short-term investments, beginning of year	4,912	8,061
Cash and short-term investments, end of year	$ 36,956	$ 4,912

The accompanying notes are part of these consolidated financial statements.

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF SUPPLEMENTARY PERFORMANCE INFORMATION
FOR THE YEAR ENDED JUNE 30, 2004

	2004 Budget	2004	2003 (Restated)
Full-load equivalent students (Note 20)	11,823	11,568	11,271
Academic program cost per full-load equivalent student (Note 20)	$ 14,324	$ 14,099	$ 13,779
Student hours (contact or equivalent) (Note 20)		9,662,177	9,408,969
Academic program cost per student hour (Note 20)		$ 17	$ 17

Students surveyed during the fiscal year who completed an Applied Degree, Diploma or Certificate program during the year ended June 30, 2003 (2002 for comparative figures) (Note 21):

Annualized salary median for those with full-time employment	$ 30,000	$ 30,000
Employment rate:		
Full-time	73%	69%
Contract, part-time or temporary	24%	28%
Overall	97%	97%

The accompanying notes are part of these consolidated financial statements.

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2004

Note 1 Authority

The Southern Alberta Institute of Technology operates under the authority of the Post-Secondary Learning Act, Chapter P-19.5, Statutes of Alberta 2003. The Institute provides educational programs to provide a skilled, productive work force for the economic development of Alberta and Canada. The Institute is exempt from payment of income tax and is also a registered charity under the Income Tax Act. The Institute was established as a board governed institution on April 1, 1982.

Note 2 Significant Accounting Policies

(a) General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events and, as such, the preparation of these financial statements requires the use of estimates, which may vary from actual results. These financial statements include supplementary performance information in accordance with the following guidelines:

(i) Supplementary performance information should be understandable, relevant, reliable and comparable. Supplementary performance information should be limited to a few key performance measures which influence decisions.

(ii) Supplementary performance information should include measurable information on the Institute's outputs.

(iii) Supplementary performance information should support efforts to evaluate cost effectiveness. Information on the costs of the Institute's outputs should be linked with information on the results these outputs achieve.

(b) Consolidated Statements

These consolidated financial statements include the accounts of The Learning Management Corporation, a wholly owned subsidiary incorporated under the Business Corporations Act of Alberta and the Institute's proportionate interest in PanGlobal Training Systems Limited, a joint venture with the Northern Alberta Institute of Technology and the British Columbia Institute of Technology.

(c) Revenue Recognition

Operating grants, including grants from the Province of Alberta, are recognized as revenue, either in the period receivable, or, where a portion of the grant relates to a future period, the portion is deferred and recognized in the subsequent period.

Note 2 Significant Accounting Policies (continued)

Grants for capital acquisitions, including grants from the Province of Alberta, are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing funded capital assets and contributions of property are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and the earned capital contributions revenue are matched to indicate that the related amortization expense has been funded.

Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expense is incurred. Externally restricted amounts can only be used for purposes designated by external parties. Any externally restricted contributions containing stipulations that the amounts should be retained as net assets or that the contributions should not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

Amounts received for tuition fees, earned revenue programs, and sale of goods and services are classified as unearned and recognized as revenue at the time the goods are delivered or the services are provided.

(d) Investments

Short-term investments are recorded at the lower of cost or market value. Investments not available for current purposes are recorded at cost. Gains and losses on investments are recognized at realization, or when there is an other than temporary impairment in the value of an investment.

(e) Capital Assets

As determined by an independent appraisal as at April 1982, land was recorded at fair market value and buildings were recorded at amortized replacement cost. Subsequent additions are recorded at cost.

Furnishings, equipment and computer software are recorded at cost. Donated assets are recorded at fair market value at the time of receipt of the donation.

Capital assets are amortized on a straight-line basis over the following average useful lives:

Buildings	40 years
Renovations	25 years
Furnishings, equipment, and library	10 years
Computer servers	3 – 10 years
Vehicles	5 years
Computer hardware and software	3 years
Leasehold improvements	Length of lease

Construction in progress includes the direct construction costs and overhead costs directly attributable to the construction including engineering and legal fees and interest on specific debt attributed to the construction of capital assets. Construction projects in progress are not amortized until the project is ready for use.

Note 2 Significant Accounting Policies (continued)

(f) Inventories

Inventory of bookstore merchandise is maintained using the first-in first-out method of costing. Materials, supplies and food stores inventory is maintained using average costing. All inventory is valued at the lower of cost or net realizable value.

(g) Employee Future Benefits

The Institute participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the Institute's participating employees based on years of service and earnings. This plan is accounted for as a defined contribution pension plan in the Institute's financial statements because the Institute has insufficient information to apply defined benefit accounting.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The Institute does not record the Institute's portion of the pension plans' deficit or surplus.

The Institute offers a defined contribution pension plan for eligible employees. The Institute's contributions are based on a percentage of the employee's salary. The pension expense included in these financial statements represents the Institute's required contributions under the plan.

The Institute maintains a supplemental pension plan for certain designated executives of the Institute. The cost of the pension is actuarially determined using the projected benefit method pro-rated on services, a market interest rate, and management's best estimate of economic assumptions. Past service costs and experience gains and losses are amortized on a straight-line basis over the expected average remaining service term of the active membership of the plan. The most recent actuarial valuation of the obligation was performed for July 1, 2003.

The Institute also provides employee future benefits in the form of compensated absences. Costs for these benefits are estimated using reasonable assumptions and are included in these financial statements.

(h) Financial Instruments

The fair values of the Institute's accounts receivable, accounts payable and accrued liabilities, and accrued vacation pay approximate their carrying values due to the relatively short periods to maturity of these instruments.

The Institute uses forward exchange contracts to manage its foreign currency exposure. The Institute does not use derivative financial instruments for trading or speculative purposes and does not apply hedge accounting. Forward contracts are carried at fair value on a gross basis in the consolidated statement of financial position with changes in fair value recognized in income.

Note 3 Cash and Investments

	2004					2003	
	Cash	**Short-Term Investments**	**Long-Term Investments**	**Total Cost**	**Market**	Total Cost	Market
			(in thousands)			(in thousands)	
Cash	**$ 1,088**	**$ -**	**$ -**	**$ 1,088**	**$ 1,088**	$ 4,423	$ 4,423
Money market investments	**-**	**35,848**	**5,095**	**40,943**	**41,036**	31,029	31,110
Equities	**-**	**-**	**8,216**	**8,216**	**8,687**	8,010	7,604
Cash held by investment manager	**-**	**20**	**-**	**20**	**20**	5	5
Total	**$ 1,088**	**$ 35,868**	**$ 13,311**	**$ 50,267**	**$ 50,831**	$ 43,467	$ 43,142

The Institute's investments are divided into two portfolios. The first portfolio encompasses operating funds designated for expenditures within five years and deferred salary plans. The objective is to provide a secure and consistent income flow at or above the rate of inflation. These funds must remain liquid. It is restricted as follows:

a) fixed income investments only,
b) quality constraint of BBB minimum (as per the Dominion Bond Rating Service) and no money market below Rl low,
c) no single position, other than Government of Canada credits, at more than 10% of the portfolio.

The second portfolio is designated for long-term working capital and restricted funds. The primary objectives are the preservation of capital and achieving a rate of growth in excess of inflation. This second portfolio is restricted to:

a) no more than 25% of the equity portion in small cap securities (less than $650 million market cap),
b) no fixed income investments below BBB and no money market below Rl low,
c) no single position, other than Government of Canada credits, at more than 10% of the portfolio.

The overall rate of return for the year was 4.24% (2003 - 2.31%). The effective yield on the money market investments is 1.96% (2003 – 3.13%). Money market investments mature within 90 days while bond investments have a maturity date of no greater than 2 years. Market value of these investments approximates fair value.

Investment income earned on the above investments has been recorded as follows:

	2004	2003
	(in thousands)	
Investment income	**$ 787**	$ 610
Deferred contributions	**500**	582
Capitalized to endowments	**81**	-
Total investment income earned	**$ 1,368**	$ 1,192

Note 4 Accounts Receivable

Accounts receivable are summarized as follows:

	2004	2003
	(in thousands)	
Student	$ 1,402	$ 2,448
Corporate	3,523	4,821
Other	3,536	1,444
	$ 8,461	$ 8,713

Note 5 Long-Term Receivable

On September 1, 1999, the Institute's wholly owned subsidiary, The Learning Management Corporation, entered into a purchase and sale agreement for the disposition of certain assets. Proceeds on the sale are to be received in seven equal annual installments starting June 30, 2000 and are non-interest bearing. As at June 30, 2004, the long-term receivable is in arrears in the amount of $150,000 US. The entire balance of the loan has been provided for at June 30, 2004.

Note 6 Inventories

Inventories are summarized as follows:

	2004	2003
	(in thousands)	
Bookstore	$ 1,201	$ 951
Material and supplies	571	104
Food stores	142	106
	$ 1,914	$ 1,161

Note 7 Capital Assets

(a) Summary of Cost and Net Book Value:

	2004			2003
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
		(in thousands)		
Land and improvements	$ 23,792	$ -	$ 23,792	$ 23,792
Buildings and renovations	279,765	135,420	144,345	151,151
Furnishings, equipment, and library	56,608	39,077	17,531	17,191
Vehicles	1,194	1,023	171	190
Computer hardware and software	42,982	36,883	6,099	6,634
TLM license	1,122	1,122	-	226
Construction in progress	13,050		13,050	712
	$ 418,513	$ 213,525	$ 204,988	$ 199,896

Note 7 Capital Assets (continued)

(b) Capital Acquisitions

Capital acquisitions during the year included donations in kind in the amount of $625,490 (2003 - $2,137,044).

(c) Capital Leases

At June 30, 2004, the Institute had assets under capital lease with a cost of $413,873 (2003 - $892,462) and accumulated amortization of $78,913 (2003 - $296,127).

Note 8 Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are summarized as follows:

	2004	2003
	(in thousands)	
Trade	$ **6,706**	$ 7,325
Salaries, wages and benefits	**6,133**	4,771
Construction	**2,406**	234
Other	**2,718**	2,715
	$ **17,963**	$ 15,045

Note 9 Unearned Revenue

Unearned revenue is summarized as follows:

	2004	2003
	(in thousands)	
Earned revenue programs	$ **844**	$ 926
Tuition, application fees and prepayments	**6,758**	5,581
Commercial services and other	**330**	198
	$ **7,932**	$ 6,705

Note 10 Employee Future Benefits

The Institute provides compensated absences for its employees under a special leave plan. Under this plan, employees contribute 15% of their gross monthly earnings for a contributory period of four years. For the fifth year, employees receive 85% of their gross salary as of the last day of their contributory period. The Institute funds the shortfall between the contributed funds, including interest earned, and the gross salary to be paid in the fifth year. The Institute's liability under this plan included in these financial statements is $158,923 (2003 - $174,852) and has been discounted at a rate of 5%.

The Institute's pension expense attributable to a multi-employer plan was $4,323,371 (2003 - $3,733,746), the Institute's pension expense attributable to defined benefit plans was $120,190 (2003 - $32,210), and the Institute's pension expense attributable to a defined contribution plan was $77,004 (2003 – Nil).

Note 10 Employee Future Benefits (continued)

The Institute has an unfunded supplementary pension plan for its President and certain designated executives. The accrued liability recorded in the Institute's financial statements is $180,735 (2003 - $39,600). The accrued benefit obligation at June 30, 2004, was $441,000 (2003 - $62,300). The accrued benefit obligation was calculated using a discount rate of 6.25% (2003 – 6.8%) and a rate of increase in future compensation of 4% (2003 – 4%).

At December 31, 2003, the Local Authorities Pension Plan reported a deficiency of $1,410,987,000 (2002 - deficiency of $444,980,000). Effective January 1, 2003, the employers' contribution rates were increased by 0.5%. Rates were increased further January 1, 2004 by 1.077%.

Note 11 Deferred Contributions

	2004	2003
	(in thousands)	
Increase during the year:		
Donations and other grants	$ 3,393	$ 2,764
Access funding	9,895	7,364
Infrastructure renewal funding	3,724	-
Restricted income	500	582
Transfers from (to) deferred capital contributions (Note 12)	650	(986)
	18,162	9,724
Transfers:		
To grant revenue	(8,019)	(6,922)
To donations, contributions, and income on restricted contributions	(3,517)	(3,438)
	(11,536)	(10,360)
Balance, beginning of year	8,131	8,767
Balance, end of year	$ 14,757	$ 8,131

The balance of deferred contributions is comprised of:

	2004	2003
	(in thousands)	
Scholarships	$ 1,306	$ 908
Program delivery	7,741	4,887
Other	5,710	2,336
	$ 14,757	$ 8,131

Deferred contributions for program delivery consist primarily of Access program funding.

Note 12 Deferred Capital Contributions

	2004	2003
	(in thousands)	
Increase during the year:		
Infrastructure debt retirement	$ 38,000	$ -
Other grants and donations	4,559	2,498
Transfers from (to) deferred contributions (Note 11)	(650)	986
	41,909	3,484
Transfers to unamortized deferred capital contributions :		
Infrastructure renewal funding	(690)	(336)
Restricted capital funds	(47,747)	(354)
Access funding	(1,040)	(962)
Other grants and donations	(2,261)	(2,944)
	(51,738)	(4,596)
Balance, beginning of year	13,919	15,031
Balance, end of year	$ 4,090	$ 13,919

The balance of deferred capital contributions is comprised of:

	2004	2003
	(in thousands)	
AeroCentre project funding	$ 2,015	$ 11,646
Other grants and donations	2,075	1,583
Infrastructure renewal funding	-	690
	$ 4,090	$ 13,919

Note 13 Long-Term Liabilities

	Amount Outstanding (in thousands) 2004	Amount Outstanding (in thousands) 2003
Construction loan (a)	$ -	$ 39,500
Construction financing for second student residence (b)	19,891	20,334
Capital lease obligations (c)	182	390
	$ 20,073	$ 60,224
Less: Current portion	(549)	(3,586)
	$ 19,524	$ 56,638

Principal payments during the next five fiscal years on long-term liabilities are as follows:

2004/05	$ 549
2005/06	586
2006/07	546
2007/08	567
2008/09	604

Cash interest of $3,996,180 was paid in 2004 (2003-$4,018,884).

(a) Pursuant to a loan agreement entered into with a chartered bank on August 17, 1999, the Institute borrowed the sum of $45 million as a construction loan for a new building and renovations. The loan was secured by a charge on the land on which the capital expansion occurred, bore interest at 7.08%, matured September 28, 2013 and had a 17-year amortization. The agreement required that the Institute maintain cash and investments net of internally restricted reserves and endowments of $14 million for the term of the loan. Accordingly, the effective rate on net borrowings of $31 million was 7.57% per annum. On June 22, 2004 the Institute received a $38 million grant from the government of Alberta to contribute to the retirement of this loan. The loan was repaid in full on June 30, 2004, and included a prepayment fee of $2,513,798.

(b) Pursuant to a loan agreement with the Alberta Capital Finance Authority, entered into on June 16, 2000, the Institute borrowed the sum of $21.5 million to finance the construction of a new student residence. The loan bears interest at 6.5% per annum and matures June 16, 2025. Security pledged for the loan includes all future cash flows generated through the operation of the new student residence.

(c) The average implicit interest rate payable on these leases is 8.4% (2003 - 7.6%). Interest of $17,171 (2003 - $29,924) has been charged to expense during the year.

Note 14 Unamortized Deferred Capital Contributions

Changes in unamortized deferred capital contributions are as follows:

	2004	2003
	(in thousands)	
Transferred from deferred capital contributions (Note 12)	**$ 51,738**	$ 4,596
Contributed equipment	**626**	2,137
Transferred to revenue	**(7,582)**	(7,400)
Increase (decrease) during the year	**44,782**	(667)
Unamortized deferred capital contributions, beginning of year	**75,976**	76,643
Unamortized deferred capital contributions, end of year	**$ 120,758**	$ 75,976

Note 15 Invested in Capital Assets

	2004	2003
	(in thousands)	
Capital assets	**$ 204,988**	$ 199,896
Capital assets financed by long-term liabilities (Note 13)	**(20,073)**	(60,224)
Unamortized deferred capital contributions (Note 14)	**(120,758)**	(75,976)
	$ 64,157	$ 63,696

Note 16 Endowments

Endowments consist of restricted donations to the Institute, the principal of which is required to be maintained intact in perpetuity as well as any internal allocations by the Board. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board.

Endowments on a cumulative basis:

	2004	2003
	(in thousands)	
Externally restricted	**$ 8,221**	$ 7,584
Internal allocations	**1,000**	1,000
	$ 9,221	$ 8,584

Note 17 Related Party Transactions

The Institute is a Provincial Corporation as all the members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning. Transactions between the Institute and the Province are disclosed in the Consolidated Statement of Operations and are as follows:

	2004		2003	
	Revenue	**Deferred Contributions/ Unamortized Deferred Capital Contributions**	Revenue	Deferred Contributions/ Unamortized Deferred Capital Contributions
		(in thousands)		
Alberta Learning:				
Operating grant	**$ 72,838**	**$ -**	$ 65,005	$ -
Performance funding	**760**	**-**	-	-
Access	**5,322**	**3,292**	6,723	3,975
Miscellaneous grants	**6,984**	**4,235**	6,840	127
	85,904	**7,527**	78,568	4,102
Other provincial departments and agencies:				
Infrastructure renewal	**-**	**4,413**	524	1,027
AeroCentre funding	**-**	**12,000**	-	12,000
Infrastructure debt retirement	**2,514**	**35,486**	-	-
	$ 88,418	**$ 59,426**	$ 79,092	$ 17,129

Included in earned revenue, tuition fees, and sales, rentals and services are additional revenues received from Alberta Learning and Alberta Human Resources and Employment that amount to $384,420 (2003-$52,236) and $2,624,743 (2003-$2,810,937) respectively. At June 30, 2004, the accounts receivable balance included an amount of $187,784 (2003 - $73,800) due from Alberta Learning.

During 2003 and 2004, the Institute had business transactions with corporations for which certain Board members of the Institute served as senior management. These transactions were at market prices on normal terms of purchase and sale.

In 2003 and 2004, the Institute participated in offering certain courses with other public colleges and universities. The revenues and expenses incurred for these courses have been included in the consolidated statement of operations, but have not been separately quantified.

In addition, the Institute provides systems support to some other public colleges. The revenues and expenses incurred for these services have been included in the consolidated statement of operations. Revenue from these agreements in the amount of $185,028 (2003 - $165,300) is included in these financial statements. These transactions were entered into on the same business terms as with non-related parties and are recorded at their fair value amounts.

The Institute owns the land and building currently being used by the Alberta College of Art and Design ("ACAD"). This use is granted through a facility license agreement in place between the Institute and ACAD. The term of the license is through a renewable contractual agreement between the two parties determined at the pleasure of the Minister of Learning. The Institute has Infrastructure Renewal Funds totaling $608,000 to be utilized for the maintenance of the building being used by ACAD. During the year, $99,000 was utilized for this purpose. The land, building and Infrastructure Renewal Funds have not been recorded in these financial statements.

Note 18 Budget

On June 3, 2003, the Board of Governors approved the revenue and expense budget for the year ended June 30, 2004.

Note 19 Salary Disclosure

	2004 (in thousands)				2003
	Base Salary (1)	**Other Cash Benefits(2)**	**Other Non-Cash Benefits(3)**	**Total**	Total
Executives:					
President & CEO (4)	$ 175	$ 26	$ 44	$ 245	$ 206
Vice-President, Academic (4) (6)	144	13	35	192	154
Vice-President, Finance & CFO (4) (6)	144	13	44	201	154
Vice-President, Employee & Student Services (4) (6)	144	25	18	187	148
Vice-President, External Relations (4) (6)	144	13	26	183	154
Board of Governors:					
Chairman of the Board (5)	-	-	-	-	-
Board Members (5)	-	12	-	12	10

(1) Base salary includes pensionable base pay.

(2) Other cash benefits include performance payments, overtime, lump sum payments and honoraria.

(3) Other non-cash benefits include the Institute's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short- and long-term disability plans, and professional memberships.

(4) Automobile provided, but no dollar amount included in the non-cash benefits figures.

(5) Some members do not accept honoraria.

(6) Non-cash benefits include a supplemental executive retirement plan paid on behalf of the President and Vice-Presidents in 2004, and on behalf of the President in 2003.

Note 20 Segmented Information

For purposes of internal management and decision making, SAIT divides its operations into four reportable business streams: Grant Funded, Earned Revenue, Commercial Services and Fund Development. Grant funded includes all programs supported by Alberta Learning. Earned Revenue provides career development, continuing education and corporate customized training. Commercial Services consists of Food Services, Bookstore, Parking, Graphics, Student Residence, Conference Services and Campus Centre and Fund Development provides all fundraising initiatives at SAIT in the areas of unrestricted donations, project scholarships, capital projects, and equipment.

In prior years, these business streams were identified, budgeted and reported internally, but not externally. In the current year these streams have been reported and use management costing and reporting methods applied internally. This costing method reflects incremental, direct costs only to operate Earned Revenue, Commercial Services, and Fund Development. Costs that would not decrease if these streams were discontinued are reflected in the Grant stream. Decision making is enhanced by ensuring new business or initiatives evaluated in these streams are not rejected based on costs that would continue to exist to support SAIT's core business.

Note 20 Segmented Information (continued)

The following 2003 supplemental performance information has been restated for comparative purposes.

	2003 As previously reported	2003 As restated
Academic program cost per student hour	$ 16	$ 17
Academic program cost per full-load equivalent student	$ 13,656	$ 13,779

This has resulted in an increase in the Academic Program Cost per full load equivalent student of $123, comprised of an increase of $198 for previously allocated overhead to Commercial Services, and an increase of $70 per full load equivalent for the addition of The Learning Management Corporation operating costs, and a decrease of $145 for fundraising expenses.

The accounting policies of the segments are the same as those described in the significant accounting policies in Note 1.

	Academic Program Cost		Non-Academic Program Cost			
For the year ended June 30, 2004 (in thousands)	Grant Funded Programs	Earned Revenue	Commercial Services	Fund(5) Development	Interdepartmental Eliminations	Total
Revenue	$ 133,154	$ 34,981	$ 22,098	$ 3,925	$ (4,326)	$ 189,832
Direct cost (1)	53,543	21,214	17,313	3,224	(4,326)	90,968
Academic support (2)	17,365	9,744	-	-	-	27,109
Support services (3)	28,129	-	-	1,634	-	29,763
Institutional costs (4)	16,285	-	584	-	-	16,869
Interest expense	2,713	-	1,333	-	-	4,046
Amortization & loss on disposal	15,137	-	1,317	-	-	16,454
Total expenses	133,172	30,958	20,547	4,858	(4,326)	185,209
Net	$ (18)	$ 4,023	$ 1,551	$ (933)	$ -	$ 4,623
Student hours (contact or equivalent)(6)	6,949,000	2,713,177	-	-	-	9,662,177
Full-load equivalent students (FLE)(7)	8,192	3,376	-	-	-	11,568
Academic program cost per student hour (8)	$ 19	$ 11	-	-	-	$ 17
Academic program cost per FLE student (9)	$ 16,135	$ 9,159	-	-	-	$ 14,099
Average student hours per FLE	848	804	-	-	-	835

Note 20 Segmented Information (continued)

	Academic Program Cost			Non-Academic Program Cost		
For the year ended June 30, 2003 (in thous)	Grant Funded Programs	Earned Revenue	Commercial Services	Fund[5] Development	Interdepartmental Eliminations	Total
Revenue	$ 121,734	$ 35,135	$ 21,329	$ 4,336	$ (4,571)	$ 177,963
Direct cost [1]	50,657	21,390	17,747	3,306	(4,571)	88,529
Academic support [2]	17,573	10,340	-	-	-	27,913
Support services [3]	28,198	-	-	1,631	-	29,829
Institutional costs [4]	9,901	-	499	-	-	10,400
Interest expense	2,957	-	1,344	-	-	4,301
Amortization & loss on disposal	15,557	-	1,826	-	-	17,383
Total expenses	124,843	31,730	21,416	4,937	(4,571)	178,355
Net	$ (3,109)	$ 3,405	$ (87)	$ (601)	$ -	$ (392)
Student hours (contact or equivalent)[6]	6,791,714	2,617,255	-	-	-	9,408,969
Full-load equivalent students (FLE)[7]	8,172	3,099	-	-	-	11,271
Academic program cost per student hour [8]	$ 18	$ 12	-	-	-	$ 17
Academic program cost per FLE student [9]	$ 15,127	$ 10,225	-	-	-	$ 13,779
Average student hours per FLE	831	845	-	-	-	835

(1) Direct cost represents direct academic department cost of delivering academic programs. Direct cost includes salaries, wages, contracts and benefits for instructors and academic coordinators as well as non-personnel costs such as supplies and services and repairs and maintenance.

(2) Academic support includes all administration costs directly held in academic departments. Academic support includes salaries, wages, contracts and benefits as well as non-personnel costs such as supplies and services and repairs and maintenance for academic and academic support departments.

(3) Support services include operating expenses for departments supporting SAIT's operations. This item includes the following departments: Executive Offices, Finance, Facilities Management, Information Systems, Human Resources, Marketing & Communications, Alumni Relations and Customer Services. Costs included within these departments include student registrations, student counseling, student health services, custodial services, security, cashiers, shipping and receiving, software and technical services. Support service costs have not been allocated to Earned Revenue or Commercial Services.

(4) Institutional costs are related to the operations of the Institute as a whole rather than the operations of any particular department. These costs include but are not limited to investment fees, insurance premiums, bank charges, legal fees, worker's compensation premiums, facility renovation projects and utilities. Institutional costs have not been allocated to Earned Revenue or Fund Development.

(5) Fund development is an integral part of a post-secondary institution. Activities include not only unrestricted donations but project scholarship endowment and capital fundraising as well. Funds recognized in revenue in the current year do not reflect total funds raised and subsequently deferred for future years. Total funds raised in 2004 were $10,028,000 and $12,326,000 in 2003.

(6) Student hours (contact or equivalent) represent the number of classroom (including hours derived from courses taught by alternate delivery methods i.e. correspondence, teleconference and computer managed learning), laboratory or practicum hours assigned to each course multiplied by the number of students enrolled in each course. The number of students enrolled and the related student hours is obtained from the Institute's Student Information System.

(7) As defined by the Ministry of Learning, one full-load equivalent (FLE) student reflects one student completing the full load for one year of study in a program, or several students combining to complete the equivalent of a normal full load. For programs where a year of study requires 24 to 36 weeks, an individual student taking a full load will earn one FLE. A student completing the requirements for a program less than 24 weeks will earn less than one FLE for a full year of study. Similarly, a student completing the requirements for a program greater than 36 weeks will earn more than one FLE for a full year of study. The FLE computation for a short program is based on a 32 week program of study. Apprenticeship Training Programs use 30 weeks as the standard length for FLE computations for one year of study in a program.

Programs are designed by the Institute - curriculum, program length and delivery mode.

The number of FLE students enrolled in credit courses during the year is calculated by:
(i) accumulating the student hours (contract or equivalent) of a student through an academic year,
(ii) dividing the accumulated student hours by the hours required to complete a year of study in a program, and
(iii) aggregating the numbers for all students.

In addition, non-credit courses registrations are converted to FLE's in the same manner as credit courses.

(8) Academic program cost per student hour is calculated based on total expenses less specific cost recoveries, divided by the number of student hours. Cost recoveries in 2004 totaled $991,000 for Grant Funded Programs and $38,000 for Earned Revenue. Cost recoveries in 2003 totaled $1,224,000 for Grant Funded Programs and $44,000 for Earned Revenue.

(9) Academic program cost per FLE is calculated based on total expenses less specific cost recoveries, divided by the number of FLEs. Cost recoveries in 2004 totaled $991,000 for Grant Funded Programs and $38,000 for Earned Revenue. Cost recoveries in 2003 totaled $1,224,000 for Grant Funded Programs and $44,000 for Earned Revenue.

Note 21 Employment Within One Year of Completion

		Surveyed...	Of Those Responding.....		Of Those Looking for Employment.....			
Employment Results for Students Who Completed a Certificate, Applied Degree or Diploma Program in 2003	Number of Students Who Completed a Program	Number of Survey Respondents	Number Not Seeking Employment	Number Seeking Employment	Full-time, Permanent Employment	Full-time Employment Annualized Salary Median	Contract, Part-time or Temporary Employment	Overall Employment Rate
Business and Tourism	774	703	152	551	401	$ 25,900	132	97%
Construction	189	169	16	153	130	$ 30,500	21	99%
Energy	279	248	25	223	170	$ 43,100	46	97%
Health and Public Safety	276	259	16	243	172	$ 35,000	70	99%
Information and Communications Technologies	634	558	83	475	313	$ 30,000	140	95%
Manufacturing and Automation	109	98	9	89	65	$ 32,700	20	96%
Transportation	171	157	6	151	122	$ 29,500	25	97%
Centre for Academic Learning Services	1	1	0	1	1	N/A	0	100%
Totals	**2,433**	**2,193** **90%**	**307** **14%**	**1,886** **86%**	**1,374** **73%**	**$ 30,000**	**454** **24%**	**97%**
Prior year totals	2,402	2,169 90%	231 11%	1,938 89%	1,343 69%	$ 30,000	536 28%	97%

(Percentage totals may not add in this table because of rounding)

Note 21 Employment Within One Year of Completion (continued)

The employment survey does not include students who have completed the Certificate/Diploma Academic Upgrading Program, Apprenticeship Training Programs, EMT-A (Emergency Medical Technician – Ambulance), EMR (Emergency Medical Responder) or Earned Revenue Programs.

Employment information was collected from students (or their proxy) who had completed a program of study during the 2002-2003 academic year. In the current year, all students recorded as graduates as of February 17, 2004 were surveyed.

Surveys were conducted by telephone between January 2004 and April 15, 2004. In the prior year, the surveys were conducted by telephone between January 2003 and March 2003.

Employment is full-time if the student who completed a program indicated that their job was full-time (greater than 30 hours per week) at the time of the survey.

Contract, part-time, or temporary employment includes students who completed a program and were employed in a contract, part-time, or temporary position at the time of the survey, or had been for at least three months in such a position prior to the survey date, but were not employed at the date of the survey.

Note 22 Changes in Non-cash Working Capital

	2004	2003
	(in thousands)	
Accounts receivable	$ 252	$ (899)
Inventories	(753)	116
Prepaid expenses	533	(248)
Accounts payable and accrued liabilities	2,918	(1,601)
Unearned revenue	1,227	2,434
Deferred salary plans	8	(15)
Deferred contributions	6,626	(636)
Accrued vacation pay	475	(683)
	$ 11,286	$ (1,532)

Note 23 Interest in PanGlobal Training Systems Limited

Effective July 1, 2003 the joint venture agreement between the Institute, the Northern Alberta Institute of Technology, and the British Columbia Institute of Technology was dissolved and all of its assets were transferred to a separate entity, PanGlobal Training Systems Limited. The company is involved in the production and marketing of a Power Engineering multimedia learning product. The results of the company are proportionately consolidated in the financial statements as follows and represent the Institute's 33% (2003 – 40%) interest in the company:

	2004	2003
	(in thousands)	
Current Assets	$ 322	$ 332
Current Liabilities	$ 57	$ 50
Unrestricted Net Assets	265	282
	$ 322	$ 332
Revenue	$ 498	$ 515
Expense	233	245
Excess of revenue over expense	$ 265	$ 270
Cash provided from operating activities:		
Excess of revenue over expense	$ 265	$ 270
Changes in non-cash working capital	(263)	34
Paid out to shareholders	(282)	(207)
Net increase (decrease) in cash and short-term investments	(280)	97
Opening cash and short-term investments	316	219
Ending cash and short-term investments	$ 36	$ 316

Note 24 Financial Instruments

The Institute has outstanding foreign exchange contracts in place to sell $300,000 US at a weighted average rate of 1.3872 maturing over the next eight months. At June 30, 2004, the fair value of these derivative financial instruments was $403,000.

Note 25 Funds Held on Behalf of Others

The Institute has no equity in the following funds and administers them on behalf of others. Accordingly, these funds are not included in the consolidated financial statements:

	2004	2003
	(in thousands)	
Alberta Online Learning	$ **807**	$ 202
Alberta Consortium of Technical Institutes	**121**	286
Other	**56**	33
	$ **984**	$ 521

Note 26 Contributed Materials and Services

The Institute received donated software to be used in the delivery of certain programs. The software modules used by the Institute have been included in these financial statements at their estimated fair market value of $2,750,000 (2003-$2,550,000).

Note 27 Commitments and Contingent Liabilities

(a) The Institute has entered into contracts for the provision of graphic services, caretaking services, leased lands, transit passes, electricity, and natural gas. Under these contracts, future minimum payments are:

	Services	Operating Leases
	(in thousands)	
2004/05	$ 12,085	$ 114
2005/06	9,369	127
2006/07	9,506	165
2007/08	8,826	233
2008/09	2,021	275
Thereafter	-	12,876

(b) As at June 30, 2004, the Institute has outstanding contractual obligations of $3,746,909 relating to the Art Smith AeroCentre project.

(c) The Institute is defending a number of legal proceedings. Claims against the Institute in these proceedings have not been reflected in the financial statements. While the outcome of these proceedings cannot be predicted at this time, it is the opinion of management that the resolution of these claims will not have a material effect on the financial position of the Institute. The cost of settling these claims, if any, will be charged to operations upon settlement.

Note 28 Comparative Figures

Certain June 30, 2003 figures have been reclassified to conform to the current year presentation.

ATHABASCA UNIVERSITY
Financial Statements

For the year ended March 31, 2005

Auditor's Report

Financial Statements:

- Statement of Financial Position
- Statement of Operations
- Statement of Changes in Net Assets
- Statement of Cash Flows
- Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Athabasca University Governing Council

I have audited the statement of financial position of Athabasca University ("the University") as at March 31, 2005 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
May 13, 2005

ATHABASCA UNIVERSITY

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2005

(thousands of dollars)

	2005	2004
ASSETS		
Current assets		
Cash and short-term investments (Note 3)	$ 21,186	$ 16,179
Accounts receivable (Note 4)	3,202	3,740
Inventory of course materials	2,856	2,847
Prepaid expenses	810	560
	28,054	23,326
Non-current investments (Notes 3 and 5)	18,884	12,599
Deferred course development costs (Note 6)	370	318
Capital assets (Note 7)	20,092	20,151
	$ 67,400	$ 56,394
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accruals	$ 4,005	$ 1,754
Salaries and benefits payable (Note 8)	5,183	4,527
Deferred revenue	11,320	10,454
Deferred contributions (Note 9)	1,801	2,431
Current portion of obligation under capital lease (Note 10)	49	50
	22,358	19,216
Obligation under capital lease (Note 10)	52	95
Deferred salaries and benefits payable (Notes 8 and 18)	1,992	1,746
Unamortized deferred capital contributions (Note 11)	11,891	12,537
Unamortized course development contributions (Note 11)	370	318
Deferred capital contributions (Note 12)	-	135
	36,663	34,047
Net assets		
Investment in capital assets (Note 7)	8,100	7,469
Endowments (Note 13)	1,223	1,089
Internally restricted (Note 14)	19,461	12,027
Unrestricted	1,953	1,762
	30,737	22,347
	$ 67,400	$ 56,394

Approved on behalf of the Governing Council

David J. Burnett, CA	Frits Pannekoek
Chair	President

The accompanying notes are part of these financial statements.

ATHABASCA UNIVERSITY

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2005

(thousands of dollars)

	2005	2004
Revenue		
Province of Alberta grants (Note 17)	$ 25,452	$ 22,135
Undergraduate student fees	28,689	24,649
Graduate student fees	12,690	11,104
Sales of goods and services	9,598	9,226
Amortization of deferred capital contributions (Note 11)	913	1,054
Amortization of deferred course development contributions (Note 11)	18	68
Interest	888	872
Donations	432	163
Research and other grants	801	664
Other	82	30
	79,563	69,965
Expenses		
Salaries and benefits (Note 19)	45,191	40,177
Fees and purchased services	10,307	8,774
Materials and supplies	6,498	6,116
Communications and travel	4,812	4,171
Amortization of capital assets	2,755	3,085
Amortization of deferred course development costs (Note 6)	18	68
Insurance, utilities and taxes	596	605
Facilities rental	947	853
Scholarships	167	207
	71,291	64,056
Excess of revenue over expenses	$ 8,272	$ 5,909

ATHABASCA UNIVERSITY

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2005

(thousands of dollars)

	2005					2004
	Investment in Capital Assets	Endowments	Internally Restricted	Unrestricted	Total	Total
Balance, beginning of year	$ 7,469	$ 1,089	$ 12,027	$ 1,762	$ 22,347	$ 16,438
Excess of revenue over expenses	-	-	-	8,272	8,272	5,909
Investment in capital assets, internally funded	2,429	-	-	(2,429)	-	-
Repayment of obligations under capital lease	44	-	-	(44)	-	-
Amortization of internally funded assets	(1,842)	-	-	1,842	-	-
Endowment contributions net of expenditures (note 13)	-	118	-	-	118	-
Interfund transfers (Note 14)	-	16	7,434	(7,450)	-	-
Balance, end of year	$ 8,100	$ 1,223	$ 19,461	$ 1,953	$ 30,737	$ 22,347

ATHABASCA UNIVERSITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2005

(thousands of dollars)

	2005	2004
Cash provided from operating activities:		
Excess of revenue over expenses	$ 8,272	$ 5,909
Items not affecting cash flow:		
Amortization of capital assets	2,755	3,085
Amortization of deferred course development costs	18	68
Amortization of deferred capital contributions	(913)	(1,054)
Amortization of deferred course development contributions	(18)	(68)
Increase in deferred salaries and benefits payable	246	254
Equity in joint venture earnings (Note 5)	(132)	(134)
Transfer to (from) deferred capital contributions (Note 9)	132	(31)
	10,360	8,029
Change in non-cash working capital		
Change in current assets, except cash and short-term investments	279	(409)
Change in current liabilities, except current portion of obligation under capital lease	3,143	2,688
	3,422	2,279
	13,782	10,308
Cash used in investing activities:		
Increase in non-current investments	(6,153)	(7,210)
Capital asset acquisitions, internally funded	(2,429)	(1,271)
Capital asset acquisitions, externally funded	(267)	(496)
	(8,849)	(8,977)
Cash provided from financing activities:		
Endowment contributions, net	118	-
Capital lease payments (Note 10)	(44)	(44)
	74	(44)
Increase in cash and cash equivalents	5,007	1,287
Cash and cash equivalents, beginning of year	16,179	14,892
Cash and cash equivalents, end of year	$ 21,186	$ 16,179

ATHABASCA UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2005

(thousands of dollars)

Note 1 Authority and Purpose

Athabasca University (the "University") operates under the authority of the Post-Secondary Learning Act, Statutes of Alberta 2003, chapter P-19.5. It is directed by an appointed Governing Council and offers undergraduate and graduate degree programs through distance education. The University is a registered charity and is exempt from the payment of income taxes.

Note 2 Significant Accounting Policies and Reporting Practices

(a) General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. Such estimates, the potential errors of which, in administration's opinion, are within reasonable limits of materiality have been made using professional judgment and conform to the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

(b) Revenue Recognition

Government operating grants are recognized as revenue in the period received, or, where the grants relate to a future period, are deferred and recognized in the subsequent period.

Contributions restricted for purposes other than endowment or the acquisition of capital assets are deferred and recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the acquisition of capital assets having a limited life are deferred and recorded as deferred capital contributions in the period in which they are expended. Deferred capital contributions are amortized to revenue over the useful lives of the related assets. Contributions restricted for the development of courses are deferred and amortized to revenue over five years.

Endowment contributions, including investment earnings, are recognized as direct increases in net assets in the period in which they are received. Contributions restricted for the acquisition of non-consumable capital assets are recognized as direct increases in net assets in the period in which they are expended. The portion of investment earnings, which, in accordance with agreements with benefactors or the authority provided by Section 76(2)(c) of the Post-Secondary Learning Act, is used to fund scholarships is transferred to investment income.

Revenue received for the provision of goods and services is recognized in the period in which the goods are provided or the services rendered. Deferred revenue includes course and seminar fees received in advance.

Donations of goods and services that otherwise would have been purchased are recorded at fair value when a fair value can be reasonably determined.

Volunteers contribute services to assist the University in carrying out its mission. Such contributed services are not recognized in these financial statements.

(c) Investments

Current investments are valued at the lower of cost and market value. Non current investments are valued at cost or, when there has been other than a temporary impairment in the value of the investment, at market value which is considered the new cost. Gains or losses on sales of investments are recognized in the year of disposal. The investment in a joint venture is accounted for using the equity method.

(d) Inventory of Course Materials

Inventory of course materials is valued at the lower of cost and net realizable value.

(e) Copyrights

It is the policy of the University to obtain copyrights on all course materials produced. These copyrights are recorded at a nominal value of $1 and are included in prepaid expenses.

(f) Deferred Course Development Costs

Costs related to the development of special purpose courses through Curriculum Redevelopment Funding are deferred and amortized over periods not exceeding five years from the time development is completed.

(g) Capital Assets

Capital asset acquisitions are recorded at cost, except for donated assets, which are recorded at fair value. Capital assets are amortized on a straight-line basis over the estimated useful lives of the assets, as follows:

	Years
Buildings	40
Site improvements	10 - 25
Computing equipment and software	3 - 5
Vehicles and other equipment	5 - 10
Leasehold improvements	lesser of 5 years or lease term
Library materials	10

Works of art assets purchased by the University are recorded at cost. Donated works of art assets are recorded at fair values. All works of art are not amortized.

(h) Employee Future Benefits

The University participates with other employers in two defined benefit pension plans, the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees, based on years of service and earnings.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates that are expected to provide for benefits payable under the respective pension plan. The University does not record its portion of the pension plans' deficit or surplus.

The University has other defined benefit plans consisting of an Administrative Leave Plan and a Flexible Benefit Plan. The cost of benefits earned by employees in these plans is actuarially determined using the projected benefit method prorated on service and management's best estimate of salary escalation. Net actuarial gains (losses) are recognized immediately.

(i) Fair Value of Financial Instruments and Cash Equivalents.

The carrying values of financial assets and financial liabilities are considered to approximate fair value unless otherwise disclosed. Cash and cash equivalents consists of cash and short-term investments. Short-term investments consist of commercial paper, bonds, and term deposits that mature within one year.

Note 3 Cash and Investments

Cash and investments consist of bank account balances, money market investments and other investments, as follows:

	2005				2004	
	Current Cash and Short-term Investments	Non-current Investments[4]	Total		Total	
			Carrying value	Market	Carrying value	Market
Monetary investments[1]						
Bank balances	$ 7,061	$ 235	$ 7,296	$ 7,296	$ 4,068	$ 4,068
Money market investments[2]	14,125	18,358	32,483	32,483	24,493	24,493
Sub-total	21,186	18,593	39,779	39,779	28,561	28,561
Other investments[3]	-	291	291	291	217	217
Total 2005	$ 21,186	$ 18,884	$ 40,070	$ 40,070	$ 28,778	$ 28,778
Total 2004	$ 16,179	$ 12,599	$ 28,778	$ 28,778		

[1] The carrying value of monetary investments is a close approximation of market value.

[2] Money market investments are purchased at a discount and are rated at R-1 or better (rated by Dominion Bond Rating Service). At March 31, 2005, the investments held have an average effective yield of 2.59% (2.28% - 2004) and mature within 90 days.

[3] Other investments are recorded at the lower of carrying value and estimated market value, and include the shares of two private companies and a joint venture interest.

[4] Non-current investments include all endowments, which must be held for perpetuity, and expenditures planned after March 31, 2006 from deferred capital contributions and certain internally restricted net assets.

Note 4 Accounts Receivable

Accounts receivable includes $406 (2004 - $325) in grants due from the Province of Alberta and $138 (2004 - $96) in recoverable expenses from Campus Alberta Applied Psychology: Counselling Initiative.

Note 5 Interest in Joint Venture

The University has a one-third joint venture interest in the Campus Alberta Applied Psychology: Counselling Initiative. Three Alberta universities formed the joint venture to develop and deliver a Collaborative Alberta Graduate Counseling Program.

The University's share of the joint venture's assets, liabilities and equity is:

	2005	2004
Current assets	$ 458	$ 411
Capital assets	3	8
	$ 461	$ 419
Current liabilities	$ 167	$ 194
Unamortized deferred capital contributions	3	7
Investment in capital assets	-	1
	170	202
Joint venture interest		
Opening balance	217	123
Distribution	(58)	(40)
Excess of revenues over expenses	132	134
	291	217
	$ 461	$ 419

The University's share of joint venture earnings for the year ending March 31, 2005 is one-third of the net of total revenues of $1,794 (2004 - $1,545) less total expenses of $1,398 (2004 - $1,143).

Note 6 Deferred Course Development Costs

	2005	2004
Balance, beginning of year	$ 318	$ 386
Costs incurred during the year	70	-
	388	386
Amount amortized during the year	(18)	(68)
Balance, end of year	$ 370	$ 318

Note 7 Capital Assets and Investment in Capital Assets

	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 1,565	$ -	$ 1,565	$ 1,567
Buildings and site improvements	26,341	14,590	11,751	12,470
Leasehold construction in progress	429	-	429	-
Furnishings, equipment and software (Note 10)	19,090	13,955	5,135	4,826
Library materials	5,069	4,477	592	668
Works of art(1)	620	-	620	620
	$ 53,114	$ 33,022	20,092	20,151
Unamortized deferred capital contributions related to capital assets (Note 11)			(11,891)	(12,537)
Obligation under capital lease (Note 10)			(101)	(145)
Investment in capital assets			$ 8,100	$ 7,469

(1) The University holds a collection of 486 works of art consisting of sketches, limited edition prints, photographs and some original paintings. The works of art are held by the University for public exhibition.

Note 8 Salaries and Benefits Payable

	2005	2004
Salaries and wages	$ 2,168	$ 1,806
Vacation pay	1,497	1,388
Administrative Leave Plan	1,310	1,226
Flexible Benefit Plan	1,011	889
Professional development funds	1,189	964
Total salaries and benefits payable	7,175	6,273
Current portion of salaries and benefits payable	(5,183)	(4,527)
Deferred salaries and benefits payable	$ 1,992	$ 1,746

Deferred salaries and benefits payable are the long-term accrued benefit obligations of the Administrative Leave Plan and Flexible Benefit Plan.

Note 9 Deferred Contributions

Deferred contributions represent unspent restricted grants and donations. Changes in the deferred contributions balances are as follows:

	2005	2004
Balance, beginning of year	$ 2,431	$ 1,025
Contributions received in the year	1,420	2,093
Transfer from (to) deferred capital contributions (Note 12)	(132)	31
Transfer to unamortized deferred course development contributions (Note 11)	(70)	-
Amount recognized as revenue in the year	(1,848)	(718)
Balance, end of year	$ 1,801	$ 2,431
The balance consists of funds restricted from:		
Province of Alberta		
Access	$ 906	$ 1,839
Learning Enhancement	21	56
Curriculum Redevelopment	-	70
Intellectual Infrastructure	13	13
Infrastructure Maintenance	4	15
Innovation and Science	211	-
Health and Wellnesss	40	-
Sponsored research special projects	606	438
	$ 1,801	$ 2,431

Note 10 Obligation Under Capital Lease

The University leases certain equipment under agreements, which are classified as capital leases. Costs and accumulated amortization of such assets totaled $1,210 and $718 respectively (2004 - $1,210 and $567) and are included in furnishings, equipment and software (Note 7).

Future minimum capital lease payments are as follows:

	2005	2004
2005	$ -	$ 54
2006	54	54
2007	53	53
Total future minimum lease payments	107	161
Amount representing implicit interest at 8%	(12)	(24)
Net future minimum lease payments	95	137
Plus accrued interest	6	8
Total capital lease payable	101	145
Current portion and accrued interest	(49)	(50)
Long term obligation under capital lease	$ 52	$ 95

Note 11 Unamortized Deferred Capital and Deferred Course Development Contributions

	2005			2004
	Related to			
	Capital Assets	Deferred Course Development	Total	Total
Balance, beginning of year	$ 12,537	$ 318	$ 12,855	$ 13,481
Transfers from deferred contributions and deferred capital contributions (Notes 9 & 12)	267	70	337	496
	12,804	388	13,192	13,977
Amortized to revenue	(913)	(18)	(931)	(1,122)
Balance, end of year	$ 11,891	$ 370	$ 12,261	$ 12,855

Note 12 Deferred Capital Contributions

Deferred capital contributions represent unspent capital funding received from governments and publicly funded organizations.

	2005	2004
Balance, beginning of year	$ 135	$ 662
Transfers to unamortized deferred capital contributions in the year (Note 11)	(267)	(496)
Transfer from (to) deferred contributions in the year (Note 9)	132	(31)
Balance, end of year	$ -	$ 135

Note 13 Endowments

Endowments consist of externally restricted donations, the principal of which is required to be maintained intact. The use of the investment income is internally restricted as endowments must first be adjusted annually for inflation.

	2005				2004
	Capital Contributions	Capitalized Earnings	Increase (Decrease) In Expendable Earnings	Total	Total
Endowments, beginning of year	$ 1,089	$ -	$ -	$ 1,089	$ 1,089
Contributions received	100	-	-	100	-
Transfer from internally restricted net assets (Note 14)	-	-	16	16	-
Investment earnings	-	15	10	25	32
Scholarships funded	-	-	(7)	(7)	(32)
Endowments, end of year	$ 1,189	$ 15	$ 19	$ 1,223	$ 1,089

Note 14 Internally Restricted Net Assets

The Governing Council has designated internally restricted net assets for future operating and capital needs. These amounts are not available for other purposes without the approval of the Governing Council.

	2005 Total	Net transfers from (to) Unrestricted Net Assets and Endowments	2004 Total
Operating			
New Program Development	$ 5,244	$ 3,050	$ 2,194
Future Student Awards	1,348	(16)	1,364
Future Employee Benefits	869	-	869
	7,461	3,034	4,427
Capital			
Building Renovations	2,000	-	2,000
Investment in Systems Development	10,000	4,400	5,600
	12,000	4,400	7,600
	$ 19,461	$ 7,434	$ 12,027

Note 15 Budget

The budget, as approved by the Governing Council on March 26, 2004, is presented together with actual revenue and expenses for the year.

	Actual	Budget
Revenue		
Province of Alberta grants	$ 25,452	$ 21,831
Undergraduate student fees	28,689	28,269
Graduate student fees	12,690	13,389
Sales of goods and services	9,598	7,869
Amortization of deferred capital and deferred course development contributions	931	1,000
Interest	888	700
Other	1,315	2,010
	79,563	75,068
Expenses		
Salaries and benefits	45,191	49,104
Fees and purchased services	10,307	9,535
Materials and supplies	6,498	7,009
Communications and travel	4,812	4,401
Amortization of capital assets and deferred course development costs	2,773	3,194
Facilities rental, insurance, utilities and taxes	1,543	1,650
Scholarships	167	175
	71,291	75,068
Excess of revenue over expenses	$ 8,272	$ -

Note 16 Operating Lease Commitments

The University is committed to operating leases expiring no later than 2011 for facilities and equipment, with the following annual payments:

2006	$ 890
2007	$ 858
2008	$ 499
2009	$ 234
2010	$ 238
2011	$ 59

The University is also required to pay a pro rata share of operating expenditures of the facilities.

Note 17 Related Party Transactions

The University is a Provincial Corporation as all of the members of the Governing Council are appointed either by a Provincial Statute (the Post-Secondary Learning Act) or by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning. Transactions between the University and the Province of Alberta are summarized below.

	2005	2004
Operating grant	$ 20,425	$ 18,570
Infrastructure	150	134
Access funding	3,728	3,828
Other	353	992
Total contributions	24,656	23,524
Change in deferred contributions and other accruals from Provincial sources	796	(1,389)
Province of Alberta grants revenue	$ 25,452	$ 22,135

The University offered certain courses at other provincial post-secondary institutions. The revenue for these courses amounted to $1,564 (2004 - $1,270).

Note 18 Employee Future Benefits

The University participates in the Universities Academic Pension Plan and the Public Service Pension Plan, which are multi-employer plans. Employer contributions of $2,392 (2004 - $1,912) for the year ended March 31, 2005 are expensed in these financial statements.

Effective January 1, 2004, the Universities Academic Pension Plan contribution rates for employees are 7.515% (employer 8.515%) of earnings up to the year's maximum pensionable earnings (YMPE) under the Canada Pension Plan and 9.915% (employer 10.915%) on earnings above YMPE. In July 2005, contribution rates are scheduled to increase by 1.16%.

At December 31, 2004, the Universities Academic Pension Plan reported an actuarial deficiency of $643,979 (2003 - $538,352). This is being funded by contributions from employees and employers, and the Province of Alberta is contributing 1.25% (2003 – 1.25%) of pensionable salary toward the actuarial deficiency, for pre-1992 service, according to the plan to eliminate the deficiency on or before December 31, 2043.

Effective September 1, 2003, the Public Service Pension Plan contribution rates for each of employees and employers are 6.17% of earnings up to the YMPE under the Canada Pension Plan and 8.81% on earnings above YMPE. While contribution rates have remained unchanged for two years, management expects rate increases in 2006.

At December 31, 2004, the Public Service Pension Plan reported an actuarial deficiency of $450,068 (2003 - $584,213 restated). This is being funded by contributions from employees and employers. The portion of the actuarial deficiency for pre-2003 service is to be eliminated by December 31, 2017.

Note 18 Employee Future Benefits (continued)

The University's non-pension defined benefit plans are not fully funded. The non-pension defined benefit plans' deficit equals the accrued benefit obligation of $2,321 (2004 - $2,115) which is recorded in salaries and benefits payable.

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligations for the non-pension defined benefit plans are as follows:

	2005	2004
Discount rate and rate of return		
Administrative Leave Plan	3.5%	3%
Flexible Benefit Plan	5.25%	5.5%
Rate of compensation increase		
First year	6%	7%
Subsequent years	6%	6%
Average remaining service period of active employees		
Administrative Leave Plan	3 years	3 years
Flexible Benefit Plan	12 years	13 years
Retirement age	60 years	60 years

During the year, the University paid benefits from its non-pension defined benefit plans totaling $313 (2004 - $284). Employee future benefit costs recognized in the year are $644 (2004 - $582).

Note 19 Salary and Benefits

The following salary and employee benefit information is disclosed further to the Financial Administration Act of the Province of Alberta.

	2005					2004	
	Base Salary(1)	Cash Benefits(2)	Non-cash Benefits(3)	Totals	Number of Individuals	Totals	Number of Individuals
		(thousands of dollars)					
Governing Council							
Chair of Governing Council	$ -	$ -	$ -	$ -	1	$ -	1
Governing Council members	-	-	-	-	16	-	13
Executive Officers							
President	228	-	26	254	1	225	1
Vice-Presidents							
Academic	155	-	26	181	1	179	1
External Relations	-	-	-	-	-	56	-
Finance & Administration	154	-	30	184	1	152	1
Executive Director							
External Relations	135	-	25	160	1	107	1
Chief Information Officer (vacant for 1 month)	115	-	30	145	1	-	-
Associate Vice-Presidents							
Academic	116	-	26	142	1	156	1
Research	130	-	27	157	1	143	1
Increase in Administrative Leave Plan accruals(4)							
President				72		16	
Vice Presidents							
Academic				1		24	
External Relations				-		9	
Finance & Administration				76		23	
Executive Director							
External Relations				44		24	
Chief Information Officer				39		-	
Associate Vice-Presidents							
Academic				38		35	
Research				-		-	

(1) Base salary includes regular pensionable base pay.

(2) Cash benefits include lump sum payments, vacation payouts, and any other direct cash remuneration that are non-pensionable.

(3) Non-cash benefits include the employer's share of all employee benefits and contribution payments made on behalf of employees for pension, health care, dental, vision, group life insurance, accidental death and dismemberment insurance, and long and short-term disability plans. In addition, non-cash benefits include tuition and travel insurance paid on behalf of employees, and changes in vacation liability.

(4) Administrative Leave Plan accrual amounts include the current service cost, the related net actuarial gains or losses, and adjustments for past service accrued at current salary rates.

UNIVERSITY OF ALBERTA
Financial Statements

For the year ended March 31, 2005

Auditor's Report

Financial Statements:

- Statement of Financial Position
- Statement of Operations and Change in Unrestricted Net Assets
- Statement of Changes in Net Assets
- Statement of Cash Flows
- Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of the University of Alberta

I have audited the statement of financial position of the University of Alberta as at March 31, 2005 and the statements of operations and change in unrestricted net assets, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

FCA
Auditor General

Edmonton, Alberta
May 27, 2005

STATEMENT OF FINANCIAL POSITION

UNIVERSITY OF ALBERTA

AT MARCH 31, 2005

(in thousands of dollars)

	2005	Restated (Note 18) 2004
ASSETS		
Current		
Cash and short-term investments	$ 217,366	$ 146,590
Accounts receivable and accrued interest	99,808	83,482
Other assets	12,985	12,678
	330,159	242,750
Investments (Note 3)	751,467	745,239
Capital assets and collections (Note 5)	1,235,368	1,074,102
	$ 2,316,994	$ 2,062,091
LIABILITIES AND NET ASSETS		
Current Liabilities		
Outstanding cheques	$ 19,068	$ 7,705
Accounts payable and accrued liabilities	101,554	82,195
Current portion of employee benefit liabilities (Note 6)	35,200	41,522
Current portion of long-term obligations (Note 8)	6,034	3,236
Deferred contributions, research and other (Note 9)	199,070	169,596
Deferred revenue	18,317	9,703
	379,243	313,957
Employee benefit liabilities (Note 6)	47,568	45,874
Long-term obligations (Note 8)	121,661	92,809
Deferred contributions, research and other (Note 9)	90,000	90,000
Deferred contributions, capital (Note 9)	1,931	2,813
Unamortized deferred capital contributions (Note 10)	745,321	665,660
	1,385,724	1,211,113
Net Assets		
Endowments (Note 11)	556,844	538,508
Investment in capital assets and collections (Note 12)	365,460	316,440
Unrestricted (deficit)	8,966	(3,970)
	931,270	850,978
	$ 2,316,994	$ 2,062,091

Signed on behalf of the Board of Governors

Chairman of the Board

R D Fraser

President

---------- The accompanying notes are part of these financial statements. ----------

STATEMENT OF OPERATIONS AND CHANGE IN UNRESTRICTED NET ASSETS

UNIVERSITY OF ALBERTA

FOR THE YEAR ENDED MARCH 31, 2005
(in thousands of dollars)

	2005	Restated (Note 18) 2004
REVENUE		
Provincial government (Note 16)	$ 474,400	$ 421,723
Federal and other government sources	113,183	105,070
Credit course tuition and related fees	163,423	153,154
Sales of goods and services	160,493	149,423
Investment income (Note 4)	41,550	72,756
Grants and donations	38,012	42,856
	991,061	944,982
Amortization of deferred capital contributions (Note 10)	62,559	58,768
	1,053,620	1,003,750
EXPENSE		
Salaries	528,279	492,000
Employee benefits	87,190	82,477
Materials, supplies and services	178,646	165,280
Scholarships and bursaries	63,190	56,730
Maintenance and utilities	60,778	59,160
Interest	9,280	7,201
Amortization of capital assets	88,815	81,237
	1,016,178	944,085
EXCESS OF REVENUE OVER EXPENSE	37,442	59,665
NET INVESTMENT IN CAPITAL ASSETS (Note 12)	(24,506)	(18,171)
Change in unrestricted net assets for the year	12,936	41,494
DEFICIT, BEGINNING OF YEAR	(3,970)	(45,464)
UNRESTRICTED NET ASSETS (DEFICIT) END OF YEAR	$ 8,966	$ (3,970)

--------- *The accompanying notes are part of these financial statements.* ---------

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2005

(in thousands of dollars)

	Endowments			Restated (Note 18) Investment in Capital Assets and Collections	Restated (Note 18) Unrestricted Net Assets (deficit)
	Externally Restricted	Internally Restricted	Total		
NET ASSETS, March 31, 2003, as previously reported	$ 416,389	$ 43,052	$ 459,441	$ 296,737	$ (45,464)
Adjustment to prior period (Note 18)	-	-	-	(13,160)	-
NET ASSETS, March 31, 2003	$ 416,389	$ 43,052	$ 459,441	$ 283,577	$ (45,464)
Excess of revenue over expense	-	-	-	-	59,665
Investment income (Note 4)	65,408	-	65,408	-	-
Gifts of endowment principal	13,659	-	13,659	-	-
Net investment in capital assets (Note 12)	-	-	-	18,171	(18,171)
Contributions of assets not subject to amortization (Note 12)	-	-	-	14,692	-
NET ASSETS, March 31, 2004	$ 495,456	$ 43,052	$ 538,508	$ 316,440	$ (3,970)
Excess of revenue over expense	-	-	-	-	37,442
Investment income (Note 4)	90	-	90	-	-
Gifts of endowment principal	18,246	-	18,246	-	-
Net investment in capital assets (Note 12)	-	-	-	24,506	(24,506)
Contributions of assets not subject to amortization (Note 12)	-	-	-	24,514	-
NET ASSETS, March 31, 2005	$ 513,792	$ 43,052	$ 556,844	$ 365,460	$ 8,966

---------- *The accompanying notes are part of these financial statements* ----------

STATEMENT OF CASH FLOWS **UNIVERSITY OF ALBERTA**

FOR THE YEAR ENDED MARCH 31, 2005
(in thousands of dollars)

	2005	Restated (Note 18) 2004
CASH PROVIDED FROM (USED IN) OPERATING ACTIVITIES		
Excess of revenue over expense	$ 37,442	$ 59,665
Add (deduct) adjustments for non-cash items:		
Amortization of capital assets	88,815	81,237
Amortization of deferred capital contributions	(62,559)	(58,768)
Loss on disposal of capital assets and collections	2,006	4,236
Decrease in unfunded employee benefits	(4,628)	(2,942)
Unrealized (gain) loss on investments	1,145	(34,557)
Total non-cash items	24,779	(10,794)
Net change in non-cash working capital	40,814	37,051
	103,035	85,922
CASH PROVIDED FROM (USED IN) INVESTING ACTIVITIES		
Acquisition of capital assets and collections	(252,353)	(229,994)
Purchases of investments, net	(6,059)	(32,580)
Net of the spending allocation and investment earnings in endowments	(1,132)	(33,274)
Proceeds on disposal of capital assets and collections	173	344
	(259,371)	(295,504)
CASH PROVIDED FROM (USED IN) FINANCING ACTIVITIES		
Contributions restricted to endowments	18,246	13,659
Increase in long term deferred contributions research and other	-	15,000
Deferred contributions, capital	141,339	148,482
Contribution restricted for non-amortizable capital assets and collections	24,514	14,692
Long-term obligations - new financing	41,329	25,011
Long-term obligations - repayments	(9,679)	(4,150)
	215,749	212,694
INCREASE IN CASH AND CASH EQUIVALENTS	59,413	3,112
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	138,885	135,773
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 198,298	$ 138,885
Cash and cash equivalents consists of:		
Cash and short-term investments	$ 217,366	$ 146,590
Outstanding cheques	(19,068)	(7,705)
	$ 198,298	$ 138,885

---------- *The accompanying notes are part of these financial statements* ----------

1. Authority and Purpose

The corporation "The Governors of the University of Alberta" (the University) operates under the authority of the Post-Secondary Learning Act, Statutes of Alberta 2003, chapter P-19.5. The mission of the University includes post secondary and graduate education, research, and public service. The University is a registered charity and is exempt, under Section 149 of the Income Tax Act, from the payment of income tax.

2. Significant Accounting Policies

a. General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. Such estimates have been made using judgments determined by the University's administration. In administration's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

b. Interest in Joint Ventures

These financial statements include the University's interest in joint ventures using the proportionate consolidation method. Tri-Universities Meson Facility (TRIUMF) (16.7% interest) is a joint venture, amongst the University and five other universities, and was established to operate a facility for research in sub-atomic physics. The Northern Alberta Clinical Trials and Research Centre (50% interest) is a joint venture between the University and Capital Health to support the shared missions of Capital Health and the University relative to collaborative clinical research.

c. Investments

Short-term investments with a maximum maturity of one year are comprised primarily of certificates of deposit, guaranteed investment certificates, government treasury bills and commercial paper. These investments are recorded at the lower of cost or market value. Market value generally approximates cost given the short term to maturity and high credit quality of the underlying investments.

Long-term investments are recorded in the accounts at market value, except for common shares subject to restrictions and real estate. Market value for marketable securities is determined based on quoted market values for publicly traded bonds and equities, and a market based net asset unit value for pooled bond and equity funds. Market value for mortgages is calculated as the present value of future expected payments using a discount rate for similar financial instruments of comparable risk and duration. Changes in market values from one period to the next are included in investment income for the period (Note 4).

Common shares subject to restrictions and real estate are recorded at cost. When a loss in value of such investments occurs that is other than temporary, the investment is written down to recognize the loss. The common shares were received as compensation for licensing University technology and are subject to restrictions on their disposition.

d. Capital Assets, Collections and Retirement Obligations

Capital assets and collection items are recorded at cost as acquired. Contributed capital assets and collection items are recorded at fair market value at date of contribution. Amortization of capital assets is recorded on a straight line basis over the assets' estimated useful lives. Estimated useful lives range from 10 to 40 years for buildings and utilities, from 3 to 25 years for equipment and furnishings, and 10 years for that portion of library materials which are not part of the University's research and permanent collections. The library research collections are amortized over 40 years.

Permanent collections are not amortized and include that portion of library assets considered to have permanent value, museum specimens, archival materials, maps, and works of art.

Asset retirement obligations are recorded in the period in which they are incurred if a reasonable estimate of a fair value can be determined. The associated asset retirement costs are capitalized as part of the carrying amount of the asset. The liability is accreted over the estimated time period until settlement of the obligation and the asset is amortized over the remaining useful life of the asset.

2. Significant Accounting Policies (continued)

e. Revenue Recognition

Unrestricted contributions are recognized as revenue when received, or when receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted investment income, which includes interest, dividends, realized and unrealized gains and losses, is recognized as revenue is earned. Pledges are recognized as revenue when collection is reasonably assured.

Revenues received for the provision of goods or services are recognized in the period in which the goods are provided or the services rendered or substantially rendered. Tuition fees are recognized as revenue when the related instruction is delivered.

Restricted contributions are recognized as revenue in accordance with the deferral method, as summarized below:

> Contributions, including investment income, restricted for purposes other than endowment or the acquisition of capital assets are deferred and recognized as revenue in the year in which the conditions of the contribution are met. Contributions restricted to the acquisition of capital assets having limited life are initially recorded as deferred contributions in the period in which they are received and, when expended, are transferred to unamortized deferred capital contributions and amortized to revenue over the useful lives of the related assets.
>
> Endowment contributions are recognized as direct increases in net assets. Realized capital gains on endowment investments and that portion of investment earnings which, in accordance with agreements with benefactors or the authority provided by section 76(2)(c) of the Post-Secondary Learning Act, are allocable to endowment principal, are also recognized as direct increases in net assets. Contributions restricted to the acquisition of non-consumable capital assets are initially recorded as deferred contributions in the period in which they are received and, when expended, are recognized as direct increases in net assets.

f. Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated at the year end exchange rate. Revenues and expenses are translated at average weekly exchange rates. Gains or losses arising from these translations are included in income.

g. Employee Future Benefits

The University participates with other employers in the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees based on years of service and earnings. Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates that are expected to provide for benefits payable under the respective pension plan.

The cost of providing non-vesting and non-accumulating employee future benefits for compensated absences under the University's long-term disability leave plans is charged to expense in full when the event occurs which obligates the University to provide the benefits. The cost of these benefits is actuarially determined using the accumulated benefit method, a market interest rate and administration's best estimate of the retirement ages of employees, expected health care costs and the period of employee disability. Actuarial gains or losses on the accrued benefit obligation are amortized over the average expected period the benefits will be paid.

The cost of providing accumulating post employment benefits under the University's early retirement benefit plans is charged to expense over the period of service provided by the employee. The cost of these benefits is actuarially determined using the projected benefit method pro rated on services, a market interest rate and administration's best estimate of expected health care, dental care, life insurance costs and the period of benefit coverage. The excess of net actuarial gains or losses over 10% of the benefit obligation is amortized over the average remaining service period of active employees expected to receive benefits under the plans.

h. Contributed Services

Volunteers as well as members of the staff of the University contribute an indeterminable number of hours per year to assist the institution in carrying out its mission. Such contributed services are not recognized in the financial statements.

i. Fair Value of Financial Instruments and Cash Equivalents

The carrying values of financial assets and financial liabilities are considered to approximate fair value unless otherwise disclosed. Cash and cash equivalents consist of cash, short-term investments with maturities less than one year and outstanding cheques.

The University uses forward exchange contracts to manage its foreign exchange currency exposure on certain long-term investments. The University does not use derivative financial instruments for trading or speculative purposes.

3. Investments

The Board of Governors approved the University's investment policy on June 18, 2004.

The University's short-term portfolio is invested in highly secure money market instruments with a minimum credit rating of "R-1 low" and a maximum maturity of 1 year. No single investment, other than federal or provincial issued instruments, can exceed the lesser of 10% or $15 million of the portfolio. The primary objective of the short-term portfolio is liquidity and security of capital.

The University's mid-term portfolio is invested in highly secure Canadian traded and denominated bonds and debentures with a minimum credit rating of "A" and a maximum duration of 5 years. No single corporate or municipal government position can exceed the lesser of 5% or $5 million of the portfolio. No single provincial government investment can exceed the lesser of 10% or $10 million of the portfolio. The primary objective of the mid-term portfolio is enhanced yield and security of capital.

The University's long-term portfolio includes endowment assets as well as the portion of non-endowment assets that will not be required for expenditure purposes in the next 5 years. The primary objective of this portfolio is to achieve a long-term rate of return that in real terms exceeds the endowment spending rate, 5.5% for the 2005 year, and to do so at an acceptable level of risk. The fixed income category of the portfolio shall be a minimum of 20% and a maximum of 40%. The equity category of the portfolio shall be a minimum of 60% and a maximum of 80%. The equity category includes Canadian equities which shall be a minimum of 10% and a maximum of 20% of the total portfolio. The minimum credit rating for bonds and debentures in active management strategies is "BBB" with a maximum aggregate exposure to "BBB" rated securities of 10% of the fixed income portion of the portfolio. No single corporate or municipal government investment can exceed 5% of the fixed income portion of the portfolio. No single provincial government investment can exceed 10% of the fixed income portion of the portfolio. No single equity holding can exceed 10% of either the Canadian or foreign equity portions of the portfolio.

The carrying values of investments are as follows:

	2005	2004
Money market investments	$ 10,230	$ 15,734
Marketable securities:		
Government bonds	80,294	80,571
Corporate bonds	45,299	56,300
Pooled bond funds	138,663	137,711
Pooled equity funds	188,777	184,363
Common shares	263,047	264,720
	716,080	723,665
Other:		
Pooled hedge funds	20,074	-
Common shares subject to restrictions	3,994	4,102
Annuities	103	-
Mortgages	-	752
Real estate	986	986
	25,157	5,840
Total	$ 751,467	$ 745,239

Investments are comprised of endowment and non-endowment funds. Endowment investments, including cash and short-term investments, are recorded at market value of $554,959 (2004 - $536,400). Endowment investments are restricted (Note 11).

As at March 31, 2005 the term to maturity and the effective yields per annum for money market investments and marketable securities are as follows:

Money market investments have an average effective yield of 2.53% (2004 - 2.35%) with a term to maturity of less than 1 year.
Pooled bond funds have an average effective yield of 3.14% (2004 - 2.81%) and a weighted average term to maturity of 15.7 years.
Government bond funds have an average effective yield of 4.59% (2004 - 4.56%) and terms to maturity ranging from under 1 year to over 10 years.
Corporate bond funds have an average effective yield of 4.63% (2004 - 4.60%) and terms to maturity ranging from under 1 year to over 10 years.

4. Investment Income

	2005	2004
Income on investments held for endowment		
Externally restricted	$ 27,854	$ 100,113
Internally restricted	3,475	13,001
	31,329	113,114
Income on other investments	13,007	35,653
Total investment income for the period	44,336	148,767
Amounts deferred in period	(2,696)	(10,603)
Income capitalized to endowment principal (Note 11)	(90)	(65,408)
Total investment income recognized as revenue	$ 41,550	$ 72,756

5. Capital Assets and Collections

	2005			Restated (Note 18) 2004		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Buildings and utilities	$ 1,333,327	$ 558,817	$ 774,510	$ 1,190,663	$ 526,603	$ 664,060
Equipment and furnishings	702,807	433,732	269,075	652,937	403,604	249,333
Library materials	122,233	83,686	38,547	108,132	76,694	31,438
Library research and permanent collections	103,350	17,500	85,850	101,893	15,330	86,563
Capital assets with limited life	2,261,717	1,093,735	1,167,982	2,053,625	1,022,231	1,031,394
Land	11,353	-	11,353	10,527	-	10,527
Capital assets	2,273,070	1,093,735	1,179,335	2,064,152	1,022,231	1,041,921
Permanent collections - other	56,033		56,033	32,181		32,181
Capital assets and collections	$ 2,329,103		$ 1,235,368	$ 2,096,333		$ 1,074,102

Included in buildings and utilities is $88,505 (2004 - $62,762) recorded as work in progress, which is not subject to amortization as the assets are not yet available for use.

Capital acquisitions during the year included in-kind contributions in the amount of $31,897 (2004 - $40,165 restated).

6. Employee Benefit Liabilities

	Academic Staff	Support Staff	Total 2005	Total 2004
Vacation pay	$ 12,938	$ 15,636	$ 28,574	$ 34,672
Long-term disability leave plans	11,648	23,427	35,075	34,768
Early retirement benefit plans	3,380	15,739	19,119	17,956
	27,966	54,802	82,768	87,396
Less current portion	15,745	19,455	35,200	41,522
	$ 12,221	$ 35,347	$ 47,568	$ 45,874

Due to a change in estimation, the vacation pay liability calculated for 2005 is lower than in the previous year. The University no longer includes a benefit component in the estimated liability. In addition, the University revised its estimate of the number of vacation days normally taken by academic staff and the result was an overall reduction in the number of vacation days outstanding.

7. Pension and Other Employee Future Benefit Plans

The University's defined benefit plans provide post-employment benefits to most of its employees, and include long-term disability leave plans, early retirement benefit plans and pension plans. The University's defined benefit plans, other than the pension plans, are unfunded. The University's pension plans include the Universities Academic Pension Plan and the Public Service Pension Plan, both multi-employer pension plans in which the University participates.

The long-term disability leave plans provide pension and non-pension benefits after employment, but before retirement.

The early retirement plans for support staff include bridge benefits and a retirement allowance. The bridge benefit plan allows eligible employees who retire early, to continue participation in several of the staff benefit programs during the period between the date of early retirement and the end of the month in which the employee attains age 65 (benefits included: group life insurance, Alberta Health Care, supplementary health care, dental care). The support staff retirement allowance provides eligible employees one week's base pay per full year of employment to a maximum of 25 days pay.

The early retirement plan for academic staff consists of the bridge benefit plan. The bridge benefit plan allows eligible employees who retire early, to continue participation in several of the staff benefit programs during the period between the date of early retirement and the date of normal retirement (normal retirement is the June 30th immediately following the 65th birthday) (for benefits included, refer to previous section). The bridge benefit program for academic staff members was terminated in 2004. Current participants at the time of termination will continue to receive these bridge benefits.

(a) Pension benefit plans

The University participates with other employers in the Universities Academic Pension Plan (UAPP) and the Public Service Pension Plan (PSPP). These pension plans are multi-employer defined benefit plans that provide pensions for the University's participating employees, based on years of service and earnings. The pension expense recorded in these financial statements is equivalent to the University's actuarially determined contributions of $32,156 (UAPP - $21,356; PSPP - $10,800) for the year ended March 31, 2005 (2004 - $25,803 (UAPP - $16,916; PSPP - $8,887)).

The UAPP is a contributory defined benefit pension plan for academic staff members. At December 31, 2004, the UAPP reported an actuarial deficiency of $643,979 (2003 - $538,352) consisting of a pre-1992 deficiency ($517,900) and a post-1991 deficiency ($126,079). An actuarial valuation of the UAPP was carried out as at December 31, 2004. The unfunded liability for service prior to January 1, 1992 is being financed by additional contributions of 1.25% (2003 - 1.25%) of salaries by the Province of Alberta with employees and employers equally sharing the balance of the contributions of 1.76% (2003 - 1.76%) of salaries required to eliminate the unfunded liability on or before December 31, 2043. The actuarial valuation shows that the present value at December 31, 2004 of the Province of Alberta's obligation for the future additional contributions was $183,400. The unfunded liability for service after December 31, 1991 is being financed by special payments of 1.26% (2003 - 1.26%) of salaries shared equally between employees and employers over 15 years from the date of valuation until December 31, 2017. At December 31, 2004, the University's active membership in the UAPP is 50.2% of the total UAPP active membership.

The PSPP is a contributory defined benefit pension plan for support staff members. At December 31, 2004, the PSPP reported an actuarial deficiency of $450,068 (2003 - $584,213 restated). An actuarial valuation of the PSPP was carried out as at December 31, 2002 and was then extrapolated to December 31, 2004.

7. Pension and Other Employee Future Benefit Plans (continued)

(b) Defined benefit plans

The University measures its accrued benefit obligations for accounting purposes as at March 31 of each year. The most recent actuarial valuation of the employee future benefit plans was performed as of March 31, 2005.

The defined benefit plan obligations are as follows:

	2005		2004	
	Long-term Disability	Early Retirement	Long-term Disability	Early Retirement
Accrued benefit obligation:				
Balance, beginning of year	$ 22,342	$ 25,706	$ 21,854	$ 26,295
Current service cost	4,042	1,268	3,703	1,348
Interest cost	1,356	1,430	1,499	1,668
Benefits paid	(3,462)	(1,959)	(3,154)	(1,890)
Actuarial (gain) / loss	(5,713)	(1,520)	(1,560)	4,918
Curtailment	-	-	-	(6,633)
Balance, end of year	18,565	24,925	22,342	25,706
Plan assets	-	-	-	-
Funded status – plan deficit	18,565	24,925	22,342	25,706
Unamortized net actuarial gain / (loss)	16,510	(5,806)	12,426	(7,750)
Accrued benefit liability	$ 35,075	$ 19,119	$ 34,768	$ 17,956

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligations are as follows:

	Long-term Disability	Early Retirement
Discount rate	5.0%	5.0%
Rate of compensation increase (includes cost of living allowance and merit increments)	n/a	5.0%
Assumed benefit cost trend rates:		
Dental costs:		
Academic staff	n/a	3.0%
Support staff	n/a	5.0%
Supplemental health care costs:		
Academic staff	n/a	5.0%
Support staff	n/a	7.0%
Alberta health care costs	n/a	3.0%
Existing LTD claims	3.0%	n/a
Pension contributions:		
Academic staff (year 1, thereafter)	15.0%, 3.0%	n/a
Support staff (year 1, year 2, thereafter)	3.0%, 10.0%, 3.0%	n/a
Benefit costs:		
Academic staff	5.0%	n/a
Support staff	6.0%	n/a

8. Long-term Obligations

	Collateral	Maturity Date	Interest Rate %	Amount Outstanding 2005	2004
Mortgages payable to Capital Mortgage and Housing Corporation:					
Lister Residences	Title to land, building	July 2014	5.125	$ 1,350	$ 1,460
Michener Park Phase I	Title to land, building	April 2018	5.875	2,530	2,656
MacKenzie Hall	Title to land, building	November 2018	6.250	1,341	1,402
Debenture payable to Alberta Finance:					
Housing Union Building	None	June 2008	3.285	1,292	1,663
Debentures payable to Alberta Capital Finance Authority:					
Saville Centre	Cash flows, Saville Centre	December 2006	3.875	429	450
Natural Resources Engineering Facility (NREF)	Cash Flows, NREF Facility	June 2007	4.088	8,000	-
Natural Resources Engineering Facility	Cash Flows, NREF Facility	June 2014	4.974	15,373	-
Energy Management Program	None	September 2014	4.551	3,360	-
South Field Car Park	None	November 2014	10.250	-	1,442
Extension Centre	None	October 2017	8.750	2,415	6,727
Steam Turbine Generator	Equipment, cash flows	May 2020	6.250	14,983	15,521
Newton Place	Title to land, building	August 2024	6.000	14,333	14,701
Newton Place Renovation	Title to land, building	August 2024	6.000	2,478	2,542
Lister Residence II	Title to land, building	November 2027	5.875	22,122	22,573
Windsor Car Park	Cash flows, Windsor Car Park	September 2028	6.000	6,774	6,900
Saville Centre	Cash flows, Saville Centre	December 2028	5.875	4,342	4,550
East Campus Village	Title to land, building	March 2029	4.960	9,302	9,500
Centennial Centre for Interdisciplinary Science	None	September 2029	5.353	9,903	-
Bank loans payable:					
East Campus Housing	None	September 2008	4.440	956	1,203
				121,283	93,290
Obligations under capital leases				3,769	160
Other long-term obligations (includes asset retirements and liabilities for site restoration)				2,643	2,595
				127,695	96,045
Less current portion				6,034	3,236
				$ 121,661	$ 92,809

The principal portion of long-term debt repayments required over the next five years are as follows:
2006 - $6,034; 2007 - $6,659; 2008 - $15,412; 2009 - $5,141; 2010 - $5,164

The estimated fair value for mortgages, debentures and loans payable as at March 31, 2005 is $132,274 (2004 - $100,456).

Included in interest expense is interest on long-term obligations of $6,749 (2004 - $4,992).

9. Deferred Contributions

Deferred contributions represent unspent externally restricted grants and donations. Changes in the deferred contributions balances are as follows:

	2005			Restated (Note 18) 2004
	Capital	Research and Other	Total	Total
Balance, beginning of the year	$ 2,813	$ 259,596	$ 262,409	$ 227,515
Grants and donations received	95,379	425,745	521,124	490,576
Recognized as revenue	-	(354,159)	(354,159)	(307,421)
Transferred to unamortized deferred capital contributions	(96,261)	(42,112)	(138,373)	(148,261)
Balance, end of the year	1,931	289,070	291,001	262,409
Less amounts included in current liabilities	-	199,070	199,070	169,596
	$ 1,931	$ 90,000	$ 91,931	$ 92,813

Included in Research and Other deferred contributions are grants and donations received of $42,112 (2004 - $51,947) applied to the purchase of capital assets.

10. Unamortized Deferred Capital Contributions

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of revenue and expense. The changes in the deferred capital contributions balance are as follows:

	2005	Restated (Note 18) 2004
Balance, beginning of the year	$ 665,660	$ 576,167
Additions from deferred contributions	138,373	148,261
Additions from Augustana merger	3,847	-
Amortization to revenue	(62,559)	(58,768)
Balance, end of the year	$ 745,321	$ 665,660

11. Endowments

Endowments consist of restricted donations to the University, the principal of which is required to be maintained intact in perpetuity (externally restricted), as well as internal allocations by the Board of Governors (internally restricted).

The investment income earned on internally restricted endowments is used to fund the Henry Marshall Tory Chairs, research and other activities of importance to the University as directed by Board of Governors' resolutions. The internally restricted endowments were created through the proceeds received in prior years from the sale of University land and from other sources. The purpose of the internally restricted endowments is not to be changed without approval of the Board of Governors.

The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Benefactors as well as University policy stipulate that the economic value of the externally restricted endowments must be protected by limiting the amount of income that may be expended and reinvesting unexpended income. Under section 76(2)(c) of the Post-Secondary Learning Act, the University has the authority to alter the terms and conditions of externally restricted endowments to enable income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.

In any particular year, should investment income earned on endowments be insufficient to fund the spending allocation, the spending allocation is funded from the cumulative capitalized earnings. However, for individual endowment funds without sufficient cumulative capitalized earnings, endowment capital is used in the current year. This amount is expected to be recovered by future investment income.

	2005			2004		
	Externally Restricted	Internally Restricted	Total	Externally Restricted	Internally Restricted	Total
Cumulative contributions	$ 267,163	$ 19,250	$ 286,413	$ 248,917	$ 19,250	$ 268,167
Cumulative capitalized earnings	246,629	23,802	270,431	246,539	23,802	270,341
	$ 513,792	$ 43,052	$ 556,844	$ 495,456	$ 43,052	$ 538,508

During the year the University capitalized $90 (2004 - $65,408) of earnings related to externally restricted endowments. A portion of this amount was added to externally restricted endowments through the authority provided to the University under section 76(2)(c) of the Post-Secondary Learning Act. The University intends that this portion be maintained in perpetuity.

12. Investment in Capital Assets and Collections

Net assets invested in capital assets and collections represents the carrying amount of capital assets and collections less unamortized deferred capital contributions and any related debt, including internal loans held by endowments.

	2005	Restated (Note 18) 2004
Capital assets and collections at net book value	$ 1,235,368	$ 1,074,102
Less amounts financed by:		
Unamortized deferred capital contributions	(745,321)	(665,660)
Long-term debt related to capital expenditures	(122,701)	(89,894)
Internal car park loans held by endowments	(1,886)	(2,108)
Investment in capital assets and collections, end of year	$ 365,460	$ 316,440

	2005	Restated (Note 18) 2004
The changes during the year are as follows:		
Investment in capital assets and collections, beginning of year	$ 316,440	$ 283,577
Acquisition of capital assets and collections	85,473	66,291
Repayment of long-term debt	9,679	3,032
Long-term debt, new financing	(42,211)	(24,103)
Net book value of asset disposals	(2,179)	(4,580)
Amortization of investment in capital assets	(26,256)	(22,469)
Net investment in capital assets	24,506	18,171
Contributions of assets not subject to amortization	24,514	14,692
Increase for the year	49,020	32,863
Investment in capital assets and collections, end of year	$ 365,460	$ 316,440

13. Budget Comparison

A Treasury Board Directive under the Financial Administration Act of the Province of Alberta requires universities to disclose their annual approved budgets in their financial statements. The following is a comparison of the approved budget with actual revenues and expenses.

	Actual	Budget	Variance
Revenue:			
Government sources	$ 587,583	$ 548,324	$ 39,259
Credit course tuition and related fees	163,423	160,427	2,996
Sales of goods and services	160,493	162,460	(1,967)
Grants, donations and investment income	79,562	90,427	(10,865)
	991,061	961,638	29,423
Amortization of deferred capital contributions	62,559	54,037	8,522
	1,053,620	1,015,675	37,945
Expense:			
Salaries	528,279	531,581	3,302
Employee benefits	87,190	86,427	(763)
Materials, supplies, services and other expenses	311,894	303,353	(8,541)
Amortization of capital assets	88,815	81,115	(7,700)
	1,016,178	1,002,476	(13,702)
Excess of revenue over expense	$ 37,442	$ 13,199	$ 24,243

14. Salary and Benefits Disclosure

A Treasury Board Directive under the Financial Administration Act of the Province of Alberta requires the disclosure of certain salary and employee benefits information.

	2005				Restated 2004
	Base Salary[1]	Other Cash Benefits[2]	Other Non-cash Benefits[3]	Total	Total
President	$ 301	$ 108	$ 318	$ 727	$ 697
Vice-Presidents:					
Provost and Vice-President Academic	258	65	136	459	335
Vice-President Research	183	55	20	258	238
Vice-President Finance and Administration	278	-	20	298	267
Vice-President External Relations[4]	208	16	21	245	238
Vice-President Facilities and Operations	275	-	24	299	272

The Chair and members of the Board of Governors, the Chancellor and members of the Senate, and external members of the Board's standing committees receive no remuneration for the services that they provide to the University.

[1] Base salary includes pensionable base pay.

[2] Other cash benefits include salary supplements, honoraria, administrative stipend and research grants in lieu of salary.

[3] Other non-cash benefits include Employment Insurance, Canada Pension Plan and Workers Compensation Board premiums, pension plan contributions, Alberta Health Care, group life insurance, supplementary health care, short and long-term disability plans, dental plan, supplemental pension plans (for President and Provost), accidental disability and dismemberment. Benefits for the President include a car allowance, administrative leave and other benefits. Benefits for some of the executive also include memberships.
In recognition that the University uses his home for various University functions, the University reimburses the President for 54% of certain costs for the general operation of his home and compensates him for that use and for wear and tear on furnishings and contents, all determined in accordance with a contractual arrangement entered into by the President and the University. These payments are not included in the benefits and allowances as reported above.

[4] Two individuals held this position in the current year.

15. Contingent Liabilities and Commitments

The University is a defendant in a number of legal proceedings. Claims against the University in these proceedings have not been reflected in these financial statements. While the ultimate outcome and liability of these proceedings cannot be reasonably estimated at this time, the University believes that any settlement will not have a material adverse effect on the financial position or the results of operations of the University.

Academic staff members are entitled to a Professional Expense Allowance, enabling them to incur expenditures on behalf of the institution for expenses related to their teaching, research, professional, or general University duties. At March 31, 2005 approximately $6,130 (2004 - $5,416) of such allowances is committed for expenses not yet incurred.

The University is one of fifty-six members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability, and errors and omissions risks of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through members' premiums. As at December 31, 2004 CURIE had a surplus of $5,995 (2003 - $100). This surplus is an accumulation of four different underwriting periods. The University participates in three of the underwriting periods, which have an accumulated surplus of $3,262 (2003 - $2,492 deficit) of which the University's pro rata share is approximately 6.42% (2003 – 7.36%).

At March 31, 2005 the University has contractual commitments for approved major capital projects. Commitments for capital projects greater than $1 million total $161,787 (2004 - $265,294) and will be payable in subsequent years. The most significant of these commitments are for the following buildings: Health Research Innovation Facility (HRIF), National Institute for Nanotechnology (NINT), Agri-Food Discovery Place.

On July 1, 2000 the University entered into a five-year agreement for information technology support with an external party. The cost of $1,966 over the remaining three months provides for manager application support and manager development services for the University's administrative information systems. On March 31, 2005 the University renewed this arrangement by entering into a second five-year agreement (July 1, 2005 to June 30, 2010). The cost of $38,891 over the five year period provides for manager application support services.

In order to manage its exposure to the volatility in the electrical industry, the University has entered into a three-year contract to fix a portion of its electrical cost at an average of $50.79 per megawatt hour, expiring on December 31, 2007. Based on the megawatts specified in the contracts, the annual costs for the year ending March 31, 2006 under these contracts are $1,899.

16. Related Party Transactions

The University operates under the authority and statutes of the Province of Alberta. Transactions between the University and the Province of Alberta are summarized below.

	2005	2004
Advanced Education		
Operating grant	$ 304,119	$ 280,858
Access grants	21,246	27,997
Performance envelope award	3,850	2,948
Other	22,215	13,738
Total Advanced Education	351,430	325,541
Other provincial ministeries, departments, and agencies:		
Alberta Infrastructure and Transportation	94,003	67,199
Alberta Innovation and Science	31,006	36,898
Alberta Foundation for Medical Research	23,933	21,690
Alberta Health and Wellness	22,866	19,041
Alberta Ingenuity Fund	6,243	5,375
Other	19,577	16,007
	197,628	166,210
Total contributions received	549,058	491,751
Less: deferred contributions	(74,658)	(70,028)
Revenue from Province of Alberta	$ 474,400	$ 421,723

The University of Alberta has accounts receivable from the Province of Alberta of $17,414 (2004 - $21,245), and accounts payable of $507 (2004 - $1,165).

17. Augustana University College ("Augustana") Merger

Effective July 1, 2004, the Evangelical Lutheran Church in Canada, The University of Alberta ("the University") and Alberta Learning entered into an agreement to merge Augustana with the University. On this date, Augustana transferred to the University substantially all of its assets, liabilities and endowment net assets as well as responsibility for the management, administration and delivery of its programs. While an appraisal valued the land and buildings transferred to the University at $19,051, it was not possible to determine their fair value taking into consideration the University's obligation to provide further funding for the Augustana programs. This funding included the following amounts from the Province of Alberta: an additional $7,000 per year in ongoing operating funding, one-time funding of $7,000 for transition costs and $12,000 for capital upgrading.

Capital and other transferred assets have been given a value equal to the value of the liabilities and endowment net assets that the University assumed.

Assets, liabilities and net assets transferred:	
Cash and investments – unrestricted	$ 558
Working capital (deficiency):	
Accounts receivable	$ 200
Inventories	194
Prepaid expense	100
Bank overdraft and operating loan	(793)
Long-term debt	(3,343)
Accounts payable and accrued liabilities	(893)
Deferred contributions	(110)
Deferred revenue	(394)
	$ (5,039)
Restricted cash and capital assets:	
Cash and investments – restricted	$ 2,655
Buildings	3,423
Land	614
Equipment and furnishings	170
Library materials	256
Collections – other	18
	$ 7,136
Net assets:	
Endowment net assets	$ 2,655

18. Change in Accounting Policy and Prior Period Adjustment

a. Change in Accounting Policy
During the year, the University determined that a portion of the library permanent collections should be recorded as research collections and amortized over 40 years. This change has been applied retroactively and financial statements of prior years have been restated as summarized in the following table.

b. Prior Period Adjustment
During the prior year, the University received but did not record an in-kind donation of software. This adjustment has been applied retroactively with restatement of prior years' amounts. The effect of the adjustment to the 2004 financial statements is presented in the following table:

	2004			
	As Previously Reported	Change in Accounting Policy	Prior Period Adjustment	As Restated
Statement of Financial Position				
Increase (decrease) in:				
Capital assets and collections	$ 1,080,361	$ (15,330)	$ 9,071	$ 1,074,102
Unamortized deferred capital contributions	656,589	-	9,071	665,660
Investment in capital assets and collections	331,770	(15,330)	-	316,440
Statement of Operations				
Increase (decrease) in:				
Revenue				
Amortization of deferred capital contributions	54,232	-	4,536	58,768
Expense				
Amortization of capital assets	74,531	2,170	4,536	81,237
Excess of revenue over expense	61,835	(2,170)	-	59,665
Net investment in capital assets	(20,341)	2,170	-	(18,171)
Statement of Cash Flows				
Increase in:				
Amortization of capital assets	74,531	2,170	4,536	81,237
Amortization of deferred capital contributions	(54,232)	-	(4,536)	(58,768)
Acquisition of capital assets and collections	216,387	-	13,607	229,994
Deferred contributions, capital	134,875	-	13,607	148,482

	2003			
	As Previously Reported	Change in Accounting Policy	Prior Period Adjustment	As Restated
Statement of Changes in Net Assets				
Decrease in:				
Investment in capital assets and collections	$ 296,737	$ (13,160)	$ -	$ 283,577

19. Comparative Figures

Certain 2004 figures have been reclassified to conform to the presentation adopted in the 2005 financial statements.

UNIVERSITY OF CALGARY

Financial Statements

For the year ended March 31, 2005

Auditor's Report

Financial Statements:

- Consolidated Statement of Financial Position
- Consolidated Statement of Revenue and Expense
- Consolidated Statement of Changes in Net Assets
- Consolidated Statement of Cash Flows
- Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of The University of Calgary

I have audited the consolidated statement of financial position of the University of Calgary as at March 31, 2005 and the consolidated statements of revenue and expense, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred Dunn FCA
Auditor General

Edmonton, Alberta
May 27, 2005

UNIVERSITY OF
CALGARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2005
(thousands of dollars)

ASSETS	2005	2004
CURRENT ASSETS		
Cash and cash equivalents (note 3)	$ 127,631	$ 108,980
Investments (note 3)	100,433	96,156
Accounts receivable	63,044	90,214
Inventories	5,688	5,033
Prepaid expenses	3,390	3,494
	300,186	303,877
LONG-TERM INVESTMENTS (note 4)	298,357	276,481
OTHER LONG-TERM ASSETS (note 5)	17,247	17,682
CAPITAL ASSETS AND COLLECTIONS (note 6)	665,513	598,763
	$ 1,281,303	$ 1,196,803
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 78,999	$ 72,687
Deferred revenue	17,332	18,030
Deferred contributions, research and other (note 7)	157,034	166,227
Current portion of long-term liabilities (note 9)	35,113	3,652
	288,478	260,596
DEFERRED CAPITAL CONTRIBUTIONS (note 7)	3,900	22,777
LONG-TERM LIABILITIES (note 9 and note 10)	24,824	56,799
UNAMORTIZED DEFERRED CAPITAL CONTRIBUTIONS (note 8)	442,658	373,828
NET ASSETS		
Restricted for endowment purposes (note 11)	295,719	274,465
Investment in capital assets and collections (note 12)	200,576	188,577
Internally restricted (note 13)	24,028	19,217
Unrestricted	1,120	544
	521,443	482,803
	$ 1,281,303	$ 1,196,803

Commitments and contingencies (Note 18)

Signed on behalf of the Board of Governors:

Member of the Board

Vice President, Finance and Services

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED MARCH 31, 2005
(thousands of dollars)

	2005	2004
REVENUE		
Government of Alberta grants (note 19)	$ 303,099	$ 268,692
Other government grants	75,813	77,105
Donations and other grants	66,714	63,068
Credit tuition and related fees	116,485	113,562
Non-credit tuition and related fees	13,328	13,326
Sales of services and products	72,211	68,425
Amortization of deferred capital contributions (note 8)	59,843	57,861
Investment income (note 14)	21,138	29,688
	728,631	691,727
EXPENSE		
Salaries	359,479	346,889
Benefits	53,469	48,217
Materials, supplies and services	108,725	101,916
Amortization of capital assets	79,277	78,151
Utilities	21,280	24,517
Scholarships, grants and awards	33,640	22,945
Travel	21,917	20,095
Cost of goods sold	17,113	18,251
Maintenance and repairs	11,021	8,998
Financing	3,704	3,665
	709,625	673,644
EXCESS OF REVENUE OVER EXPENSE, for the year (note 16)	$ 19,006	$ 18,083
Internally restricted for endowments and future commitments	(14,428)	(9,797)
EXCESS OF REVENUE OVER EXPENSE, net of Board transfers	$ 4,578	$ 8,286

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2005
(thousands of dollars)

	Restricted for Endowment Purposes (note 11)	Investment in Capital Assets & Collections (note 12)	Internally Restricted (note 13)	Unrestricted	2005 Total	2004 Total
NET ASSETS, beginning of year	$ 274,465	$ 188,577	$ 19,217	$ 544	$ 482,803	$ 411,267
Excess of revenue over expense	-	-	-	19,006	19,006	18,083
Amortization of internally funded assets	-	(19,434)	275	19,159	-	-
Expenditure of Internally Restricted net assets	-	-	(7,345)	7,345	-	-
Purchase and contribution of capital assets	-	28,592	(528)	(28,062)	2	253
Repayment of long-term debt	-	2,841	-	(2,841)	-	-
Board transfers	2,009	-	12,419	(14,428)	-	-
Transfers for endowment expenditures	(10,304)	-	-	2,096	(8,208)	(5,716)
Investment gain on endowments	19,979	-	(10)	(1,517)	18,452	51,207
Contributions	9,570	-	-	(182)	9,388	7,709
NET ASSETS, end of year	$ 295,719	$ 200,576	$ 24,028	$ 1,120	$ 521,443	$ 482,803

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2005
(thousands of dollars)

	2005	2004
CASH PROVIDED FROM (USED IN):		
OPERATING ACTIVITIES		
Excess of revenue over expense	$ 19,006	$ 18,083
Items not affecting cash flow:		
Amortization of capital assets	79,277	78,151
Amortization of deferred capital contributions	(59,843)	(57,861)
Gain on non-endowed and internally restricted endowment investments	(1,546)	(10,198)
Net change in non-cash working capital	20,053	(23,232)
	56,947	4,943
INVESTING ACTIVITIES		
Purchase of capital assets, net	(146,027)	(92,213)
Contribution of non-amortizable assets	2	253
Increase in other long-term assets	435	31,028
(Purchase) Proceeds of long-term investments, net	(13,573)	2,294
Gain on investments related to externally restricted endowments	(6,757)	(45,491)
	(165,920)	(104,129)
FINANCING ACTIVITIES		
Endowment contributions	9,388	7,709
Capital contributions	108,506	70,255
Decrease in long-term liabilities, net	(514)	(2,756)
Gain on externally restricted endowments	6,757	45,491
Excess of investment revenue over expenditures capitalized to endowments	3,487	-
	127,624	120,699
INCREASE IN CASH AND CASH EQUIVALENTS	18,651	21,513
CASH AND CASH EQUIVALENTS, beginning of year	108,980	87,467
CASH AND CASH EQUIVALENTS, end of year (note 3)	$ 127,631	$ 108,980

Net change in non-cash working capital:	2005	2004
Increase in Investments	$ (4,277)	$ (7,903)
Decrease (Increase) in Accounts receivable	28,460	(40,884)
(Increase) Decrease in Inventories	(655)	205
Decrease (Increase) in Prepaid expenses	104	(122)
Increase in Accounts payable	6,312	9,612
(Decrease) Increase in Deferred revenue	(698)	3,632
(Decrease) Increase in Deferred contributions, research and other	(9,193)	12,228
	$ 20,053	$ (23,232)

The accompanying notes are part of these consolidated financial statements.

Note 1 Authority and Purpose

The University of Calgary ("the University") operates under the authority of *The Post-Secondary Learning Act*, Statutes of Alberta 2003, chapter P-19.5. It is a Board-governed, comprehensive research University offering undergraduate and graduate degree programs as well as a full range of continuing education programs and activities. The University is a registered charity and is exempt, under Section 149 of the Income Tax Act, from the payment of income tax. The tax exemption does not extend to its wholly-owned subsidiary, University Technologies International Inc.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) General

The financial statements of the University have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. Such estimates have been made using judgments determined by the University's administration. In administration's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

(b) Consolidated Statements

The financial statements are prepared on a consolidated basis and include the consolidated accounts of University Technologies International Inc. (UTI), a wholly-owned subsidiary of the University, and the accounts of The Arctic Institute of North America (AINA), a non-profit organization controlled by the University. UTI is incorporated under the Canada Business Corporations Act to facilitate the transfer of intellectual property from the University to private business. AINA operates under the authority of the Act of the Federal Parliament (9-10 George VI, Chapter 45) to initiate, encourage and support northern research and to advance the study of arctic conditions and problems.

(c) Revenue Recognition

Operating grants are recognized as revenue, either in the period receivable, or, where a portion of the grant relates to a future period, it is deferred and recognized in the subsequent period. Unrestricted contributions are recognized as revenue when received or when receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted investment income is recognized as revenue as earned.

Tuition fees and the sale of services and products are recognized as revenue at the time the services are substantially provided or the products are delivered. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined. Pledges are recognized as revenue when collected.

The University recognizes restricted contributions and restricted grants in accordance with the deferral method, as summarized below:

Contributions, including investment income, restricted for purposes other than endowment or the acquisition of capital assets are deferred and recognized as revenue in the year in which related expenses are incurred.

Contributions restricted for the acquisition of capital assets are initially recorded as deferred capital contributions until the contribution is invested in capital assets. Amounts representing funded capital assets are then transferred to unamortized deferred capital contributions and amortized as deferred capital contributions in the periods in which the related amortization expense of the funded capital asset is recognized.

Contributions restricted for the acquisition of non-consumable capital assets are initially recorded as deferred contributions, and when expended, are recognized as direct increases to net assets.

Endowment contributions, including investment earnings, are recognized as direct increases to net assets. That portion of investment earnings, which in accordance with agreements with benefactors or the authority provided by Section 76(2) (c) of *The Post-Secondary Learning Act*, used to fund the annual endowment spending allocation is transferred to investment income (Note 14).

(d) Investments

Short-term investments are recorded at the lower of cost or market.

Long-term investments are recorded at market value except for investment in joint venture and common shares subject to restrictions which are recorded at cost. Market value is determined based on the current market price of the underlying asset. Changes in market value from one period to the next are included in the investment income (loss) for the period (Note 14). Such investment income (loss) is included in revenue in accordance with the University's revenue recognition policies (Note 2c).

(e) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a weighted moving average basis.

(f) Patents

Patents are recorded at cost and include acquisition and maintenance costs. The carrying value of patents related to a project is limited to the estimated future net cash flows expected to be derived from the project. Patent costs in excess of estimated future net cash flows are written off.

Patents are amortized on a straight-line basis over a 10 year estimated useful life.

(g) Capital Assets and Collections

Capital assets and collections are recorded at cost as acquired. Donations of capital assets and collections in kind are capitalized at fair value when received and a fair value can be reasonably determined.

Buildings and plant include construction in progress. The costs of buildings under construction are not amortized until construction is substantially complete and the assets are ready for productive use.

Collections are not amortized and include that portion of library assets considered to have permanent value and works of art held for education and public exhibition purposes.

Software development is not amortized until development is complete and the assets are ready for productive use.

Amortization is recorded on a straight-line basis over the estimated useful lives of the capital assets, as follows:

- Buildings and plant	40 years
- Site improvements	20 years
- Telecommunication equipment, furnishings and library acquisitions	10 years
- Equipment	10 years, average
- Software	3 years

(h) Employee Future Benefits

The University participates with other employers in the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees based on years of service and earnings. Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates that are expected to provide for benefits payable under the respective pension plans. The University does not record the University's portion of the pension plans' deficit or surplus.

The University has a number of defined benefit plans providing long-term disability, early retirement incentives and pension benefits. The early retirement plans were available to employees from 1992 to 1998. The cost of these benefits is actuarially determined using the projected benefit method pro rated on service, a market interest rate and management's best estimate of the retirement ages of employees, expected health care costs and the terms of employee disability agreements. With respect to employees on long-term disability, actuarial gains and losses are amortized over the average expected term of the payments. With respect to the early retirement incentive plan, actuarial gains and losses are recognized immediately. With respect to the supplemental pension obligation, for each plan participant, the balance of actuarial gains and losses in excess of 10% of the accrued benefit obligation is amortized over the expected service lifetime.

(i) Credit, Interest Rate and Market Risk

The University's accounts receivable are due from a diverse group of customers and are subject to normal credit risks.

The interest rate risk is the risk to the University's earnings that arises from the fluctuations in interest rates and the degree of volatility of these rates.

The market risk is the risk to the University's earnings that arises from the fluctuations and degree of volatility in the market value of its long-term investments.

(j) Financial Instruments

The carrying value of financial assets and financial liabilities are considered to approximate fair value unless otherwise disclosed.

Note 3 Cash and Cash Equivalents and Investments

	2005				2004	
	Cash & Cash Equivalents [1]	Current Investments [2]	Total Cost	Total Market [3]	Total Cost	Total Market
Money market investments	$ 127,383	$ -	$ 127,383	$ 127,383	$ 103,101	$ 103,101
Bank balances	248	-	248	248	5,879	5,879
Bonds (4)	-	100,433	100,433	101,092	95,440	97,604
Shares	-	-	-	-	716	723
Balance, end of year	$ 127,631	$ 100,433	$ 228,064	$ 228,723	$ 205,136	$ 207,307
Total, 2004	$ 108,980	$ 96,156	$ 205,136	$ 207,307		

(1) Money market investments are purchased at a discount. The University Investment Policy states these investments must be rated R-1 low or better (rated by Dominion Bond Rating Service). At March 31, 2005 the investments held have an average effective yield of 2.60% (2004 – 2.30%) and will mature within 45 days (2004 – 36 days). The University of Calgary invests in an externally managed money market fund with an average yield for 2005 of 2.51% (2004 - 2.62%). The combined average realized return on money market investments for 2005 was 2.38% (2004 – 2.95%).

(2) Current investments consist primarily of bonds that have a maximum allowable term of nine years and stated interest ranging from 3.0% to 8.0% (2004 – 3.50% to 8.40%). All bonds have a rating of a single "A" or better. Effective yield for bonds is calculated based on carrying values at year-end and is disclosed on a weighted average basis using the duration method.

(3) Market value approximates fair value of investments.

(4) The effective yields on bonds are as follows:

	2005		2004	
	Effective Yield	Cost	Effective Yield	Cost
Current Investments - Bond Maturity				
0-2 years to maturity	**1.63%**	$ **7,790**	4.15%	$ 9,509
2-5 years to maturity	**4.09%**	**77,614**	4.16%	68,454
> 5 years to maturity	**6.92%**	**15,029**	5.26%	17,477
Total		$ **100,433**		$ 95,440

Note 4 Long-term Investments

	2005		2004	
	Market Yield		Market Yield	
Money market investments		$ **160**		$ 274
S&P/TSX Index	14.02%	**96,267**	37.71%	83,527
Bond index	5.04%	**85,406**	10.73%	81,305
International index	6.62%	**59,342**	41.25%	55,501
S & P 500 index	-1.74%	**52,769**	20.74%	53,561
Canadian shares	-	**4,122**	-	2,036
U.S. shares	-	**-**	-	60
Investment in joint venture	-	**291**	-	217
Balance, end of year		$ **298,357**		$ 276,481

The University of Calgary Investment Committee, a subcommittee of the Board of Governors, has the delegated authority for managing the University's investments. This committee is comprised of six voting members, which include two members of the Board of Governors and four members from the community appointed by the Board of Governors. Non-voting officials include the Vice-President (Finance and Services); the Director, Treasury and Investments; General Counsel and Corporate Secretary. It meets on a quarterly basis during the year to monitor investments and to review the performance of the Investment Managers to ensure they are in compliance with the investment objectives and policies of the University. The Committee reports annually to the Board of Governors.

The University employs a mix of passive and active investment management strategies for long-term investments and an active management strategy for the short-term money market portfolio and short-term bond portfolio. For the long-term endowment portfolio the Investment Committee established the asset mix at 70% equity and 30% debt. Within the equity mix, the Investment Committee further sets out acceptable ranges for investment within the various funds (Canadian 30%, U.S. 20%, International 20%). The University employs a strict rebalancing policy to ensure the asset mix stays within the allowable range for each class.

The University of Calgary Investment Committee uses time-weighted rates of return in comparison to like funds or indexes to assess the performance of the Investment Managers. The University also reports the market values and time-weighted rates of return at December 31 each year to the Canadian Association of University Business Officers (CAUBO) Investment Survey. This survey compares and ranks the endowment funds of Canadian universities and is available to all Canadian universities.

Note 5 Other Long-term Assets

	2005	2004
Capital grant due from the Province of Alberta	$ -	$ 30,700
Capital lease receivable (1)	15,739	15,881
Other long-term assets	779	1,072
Patents (2)	982	1,064
	17,500	48,717
Current portion in Accounts Receivable	(253)	(31,035)
Balance, end of year	$ 17,247	$ 17,682

(1) The University and the Calgary Health Region entered into a 25-year agreement for the Region to lease space in the University Research Centre Building. This lease has been accounted for as a capital lease. The University's capital lease receivable is $15,739 (2004 - $15,881). The future minimum lease payments for the next five fiscal years are as follows: 2006 - $153; 2007 - $165; 2008 - $177; 2009 - $230; 2010 - $277.

(2) The cost of patents is $2,183 (2004 - $1,925) and the accumulated amortization is $1,201 (2004 - $861). During the year patents with a net book value of $171 were written off (2004 - $76).

Note 6 Capital Assets and Collections

	2005			2004		
	Cost [2]	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Buildings, plant and site improvements	$ 852,909	$ 382,446	$ 470,463	$ 749,731	$ 341,570	$ 408,161
Furnishings, equipment and systems [1]	387,764	262,903	124,861	368,039	240,519	127,520
Library books	128,269	98,711	29,558	119,945	93,318	26,627
Software [3]	39,458	32,191	7,267	33,326	30,058	3,268
Land	22,768	-	22,768	22,768	-	22,768
Art collection	7,525	-	7,525	7,375	-	7,375
Rare books and archives collection	3,071	-	3,071	3,044	-	3,044
Balance, end of year	$ 1,441,764	$ 776,251	$ 665,513	$ 1,304,228	$ 705,465	$ 598,763

(1) *Capital Leases*

Included in furnishings, equipment and systems are assets under capital leases in the amount of $648 (2004 - $1,917). Accumulated amortization is $87 (2004 – $589) on these assets.

(2) *Donated Assets*

Capital acquisitions during the year included donations-in-kind in the amount of $3,171 (2004 - $11,379).

(3) *Software Development*

Included in Software are software development costs for Project eMerge. Project eMerge is a software development project for administrative systems at the University of Calgary and includes new systems for Finance, Materials Management, HR-Payroll and Student Information. This project started early in 2004-05 and will be complete in 2007-08.

Note 7 Deferred Contributions

Deferred contributions represent unspent externally restricted grants and donations. Changes in the deferred contributions balance are as follows:

	2005		2004	
	Research & Other (1)	Capital	Research & Other (1)	Capital
Contributions received during the year:				
Government of Alberta grants	$ 120,861	$ -	$ 83,790	$ -
Other government grants	97,714	-	100,269	-
Sales	976	-	1,305	-
Donations & other grants	70,709	5,215	66,907	4,384
Investment income (note 14)	10,024	76	9,684	124
	$ 300,284	$ 5,291	$ 261,955	$ 4,508
Transferred to revenue:				
Government of Alberta grants	$ 65,060	$ 605	$ 46,872	$ -
Other government grants	74,717	-	75,767	-
Sales	1,039	-	1,500	-
Donations & other grants	54,905	-	51,960	-
Investment income (note 14)	9,781	-	11,424	-
	$ 205,502	$ 605	$ 187,523	$ -
Net change in accounts receivable	4,324	-	3,565	-
Transferred to unamortized deferred capital contributions (note 8)	(108,285)	(20,388)	(65,994)	(3,810)
Transferred to investment in capital assets	-	-	(6)	(247)
Transferred from unrestricted accounts	-	-	231	-
Transferred from restricted accounts	(14)	(3,175)	-	-
(Decrease) increase during the year	$ (9,193)	$ (18,877)	$ 12,228	$ 451
Balance, beginning of year	166,227	22,777	153,999	22,326
Balance, end of year	$ 157,034	$ 3,900	$ 166,227	$ 22,777

(1) Includes research grants expended for capital and other purposes.

Note 8 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the externally funded portion of capital assets, which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contributions balance are as follows:

	2005	2004
Transfer from Deferred Contributions (note 7)	$ 128,673	$ 69,804
Amortized to revenue	(59,843)	(57,861)
Increase (decrease) during the year	68,830	11,943
Balance, beginning of year (note 12)	373,828	361,885
Balance, end of year	**$ 442,658**	$ 373,828

Note 9 Long-term Liabilities

	Rate of Interest	Original Advance	2005	2004
* Debenture for University Research Centre, due June 3, 2005	4.750%	$ 30,700	$30,700	$30,700
Mortgage for University Research Centre, due April 1, 2012	0.000%	5,500	3,942	4,492
Mortgage for Varsity Courts, due November 1, 2005	7.875%	3,714	175	458
* Debenture for Car Park in MacEwan Student Centre, due October 1, 2006	9.750%	1,900	382	548
* Debentures for Art Building, due December 15, 2006	9.75 % & 10%	11,700	2,360	3,385
* Debenture for Norquay, Brewster and Castle Halls, due January 15, 2007	9.750%	3,953	795	1,140
Mortgage for the Dining Centre, Kananaskis and Rundle Halls, due March 1, 2016	5.125%	2,165	998	1,065
* Debenture for Cascade Hall, due May 1, 2025	6.250%	16,500	15,225	15,574
Financing for Project eMerge, due June 30, 2007	3.003%	3,657	2,855	-
			57,432	57,362
Due to Alberta Heritage Foundation for Medical Research			229	232
Due to Western Economic Diversification Canada			155	-
Minority interest in subsidiary companies			106	125
Obligation under capital leases			471	1,079
Long-term disability plans (note 10)			260	258
Early retirement incentive plans (note 10)			493	867
Supplemental pension obligations (note 10)			791	528
			59,937	60,451
Current portion of long-term liabilities			(35,113)	(3,652)
Balance, end of year			$24,824	$56,799

* Indicates payable to Alberta Capital Finance Authority which is a related party.

The debentures and mortgages are secured by land and buildings and are carried at their amortized value. The estimated fair market value for debentures and mortgages as at March 31, 2005 is $61,606 (2004 - $62,584). The fair market value of long-term debt is determined by discounting future cash flows using market rates representing rates that the University could obtain at March 31, 2005 for loans with similar terms, conditions and maturities.

During the year, interest on long-term debt amounting to $2,943 (2004 - $3,128) has been charged to expense.

Principal payments on the debentures and mortgages during the next five fiscal years are as follows: 2006 - $34,555; 2007 - $4,320; 2008 - $1,445; 2009 - $1,076; 2010 - $1,108.

Payments on the early retirement incentive plans during the next five fiscal years are as follows: 2006 - $279; 2007 - $162; 2008 - $58; 2009 -$10; 2010 - $0.

The future minimum lease payments under capital leases are as follows:

	2006	137
	2007	129
	2008	129
	2009	97
	2010	-
Total minimum lease payments		492
Less imputed interest at an average interest rate of 4.4%		(21)
Balance of capital lease obligation		471

Note 10 Future Employee Benefits

The University has defined benefit plans that provide future employment benefits, which include long-term disability leave plans, retirement incentive plans and supplemental pension obligations. The early retirement plans were available to employees from 1992 to 1998. Information about the University's defined benefit plans is as follows:

		2005				2004
	Long-term Disability	Early Retirement Incentive	Supplemental Pension Obligation	Long-term Disability	Early Retirement Incentive	Supplemental Pension Obligation
Development of Expense						
Current service cost	$ -	$ -	$ 118	$ -	$ -	$ 94
Interest cost	23	32	41	25	50	35
Amortization of transitional obligation	-	-	1	-	-	1
Amortization of net actuarial losses (gains)	29	(35)	4	29	-	1
Curtailment	-	-	110	-	-	-
Expense	$ 52	$ (3)	$ 274	$ 54	$ 50	$ 131
Financial Status						
Plan assets	$ -	$ -	$ -	$ -	$ -	$ -
Accrued Benefit Obligation	914	493	844	518	867	626
Funded status - plan deficit	(914)	(493)	(844)	(518)	(867)	(626)
Unamortized net actuarial (gains) losses	(218)	-	50	260	-	94
Unamortized past service costs	872	-	-	-	-	-
Unamortized transitional obligation	-	-	3	-	-	4
Accrued benefit liability (note 9)	$ (260)	$ (493)	$ (791)	$ (258)	$ (867)	$ (528)
Reconciliation of Accrued Benefit Obligation						
Accrued Benefit Obligation, beginning of year	$ 518	$ 867	$ 626	$ 544	$ 1,299	$ 439
Current service cost	-	-	118	-	-	94
Interest cost	23	32	41	25	50	35
Benefits paid	(50)	(371)	(12)	(51)	(482)	(5)
Actuarial (gain) loss	(449)	(35)	(35)	-	-	63
Past service cost	872	-	-	-	-	-
Curtailment loss	-	-	106	-	-	-
Accrued Benefit Obligation, end of year	$ 914	$ 493	$ 844	$ 518	$ 867	$ 626

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligations are as follows:

	Long-term Disability		Early Retirement Incentive		Supplemental Pension Obligation	
	2005	2004	2005	2004	2005	2004
Accrued benefit obligation as of March 31						
Discount Rate	4.75%	4.75%	4.75%	4.75%	5.5%	5.5%
Average compensation increase	n/a	n/a	n/a	n/a	4%	4%
Benefit costs for years ended March 31						
Discount rate	4.75%	4.75%	4.75%	4.75%	5.5%	6.5%
Average compensation increase	n/a	n/a	n/a	n/a	4%	4%

Assumed health care cost trend rates at March 31	2005	2004
Dental costs	3%	3%
Extended health care costs	6.5%	7%
Alberta health care costs	3%	3%
Extended health care trend rate declines by 2008 to	5%	5%

Sensitivity Analysis

A one-percentage point change in the assumed extended health care cost trend rates would have the following effect for fiscal 2005 (000's):

	Increase	Decrease
Service and interest cost	$ 1	$ (1)
Accrued benefit obligation	$ 38	$ (34)

The University participates with other employers in the Universities Academic Pension Plan (UAPP) and the Public Service Pension Plan (PSPP). These pension plans are multi-employer defined benefit plans that provide pensions for the University's participating employees based on years of service and earnings. The pension expense recorded in these financial statements is equivalent to an actuarially determined contributions payable of $19,120 for the year ended March 31, 2005 (2004 - $15,478).

The PSPP is a contributory defined benefit pension plan for support staff members. At December 31, 2004, the PSPP reported an actuarial deficiency of $450,068 (2003 - $584,213 restated). An actuarial valuation of the PSPP was carried out as at December 31, 2002 and was then extrapolated to December 31, 2004.

The UAPP is a contributory defined benefit pension plan for academic staff members and other eligible employees of the Universities of Alberta, Calgary and Lethbridge, Athabasca University and The Banff Centre. At December 31, 2004, the UAPP reported an actuarial deficiency of $643,979 (2003 - $538,352) consisting of a pre-1992 deficiency ($517,900) and a post 1991-deficiency ($126,079). The plan's unfunded liability, for service prior to January 1, 1992 is being financed by additional contributions of 1.25% (2003 – 1.25%) of salaries by the Province of Alberta with employers and employees equally sharing the balance of the contributions of 1.76% (2003 – 1.76%) of salaries required to eliminate the unfunded liability on or before December 31, 2043. The actuarial valuation shows that the present value at December 31, 2004 of the Province of Alberta's obligation for future additional contributions is $183,400. Effective January 1, 2004, the Plan's unfunded liability for service after December 31, 1991, as determined by an actuarial valuation at December 31, 2002 is financed by special payments of 1.26% of salaries shared equally between employees and employers over 15 years from the date of valuation until December 31, 2017.

Note 11 Net Assets Restricted for Endowment Purposes

Endowments consist of restricted contributions where the principal donation is required to be maintained in perpetuity (externally restricted) as well as internal allocations by the Board of Governors (internally restricted). The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. The economic value of the endowments are protected by limiting the amount of investment income that may be spent to 5% of the 4 year rolling market average of the principal donation, except as otherwise stipulated by the donor. Investment income earned in excess of this amount is added to the endowment principal. Under section 76(2) (c) of *The Post-Secondary Learning Act*, the University has the authority to alter the terms and conditions of an endowment to enable income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.

In any particular year, should net investment income be insufficient to fund the spending allocation or should the investment return be negative, the spending allocation is funded from the cumulative capitalized earnings. However, for individual endowment funds without sufficient cumulative capitalized earnings, endowment capital is used to fund the current year endowment spending allocation. This amount is expected to be recovered by future investment income.

	2005			2004		
	External	Internal	Total	External	Internal	Total
Contributions received during the year	$ 9,388	$ 182	$ 9,570	$ 7,622	$ 286	$ 7,908
Board approved transfers	62	1,947	2,009	400	(743)	(343)
Endowment spending allocation including fees	(9,860)	(444)	(10,304)	(9,723)	(2,214)	(11,937)
Investment income (1)	18,458	1,521	19,979	51,207	9,933	61,140
Increase during the year	18,048	3,206	21,254	49,506	7,262	56,768
Balance, beginning of year	225,738	48,727	274,465	176,232	41,465	217,697
Balance, end of year	**$ 243,786**	**$ 51,933**	**$ 295,719**	**$ 225,738**	**$ 48,727**	**$ 274,465**
Cumulative contributions	$ 148,779	$ 26,792	$ 175,571	$ 139,329	$ 26,610	$ 165,939
Cumulative capitalized earnings	95,007	25,141	120,148	86,409	22,117	108,526
Balance, end of year	**$ 243,786**	**$ 51,933**	**$ 295,719**	**$ 225,738**	**$ 48,727**	**$ 274,465**

(1) Investment income does not include realized investment income that is used to offset expenditures in the consolidated statement of revenue and expense.

Note 12 Net Assets Investment in Capital Assets and Collections

	2005	2004
Capital assets and collections, at cost	$ 1,441,764	$ 1,304,228
Accumulated amortization	(776,251)	(705,465)
Other assets, at cost	2,183	1,925
Accumulated amortization other assets	(1,201)	(861)
Net book value	666,495	599,827
Less amounts financed by:		
Unamortized deferred capital contributions (note 8)	(442,658)	(373,828)
Long-term debt	(23,261)	(37,422)
Balance, end of year	$ 200,576	$ 188,577

Note 13 Net Assets Internally Restricted

Internally restricted net assets represent amounts set aside by the University's Board of Governors for specific purposes. These amounts are not available for other purposes without the approval of the Board. At March 31, 2005, net assets have been set aside for the following purposes:

	2005	2004
Administrative Systems Renewal	$ -	$ 5,200
Subsidiaries	4,743	4,870
Indirect Research Support	2,411	3,302
Internally Restricted for Future Commitments	10,091	-
Strategic Reinvestments	4,694	3,000
Faculty and Departmental	2,089	2,845
Balance, end of year	$ 24,028	$ 19,217

Note 14 Investment Income

	2005	2004
Gain on externally restricted endowments	$ 18,468	$ 51,229
Gain on internally restricted endowments	3,801	11,065
Gain on non endowed investments	9,432	11,269
	31,701	73,563
Amounts previously deferred and recognized in year	(243)	1,740
Amounts credited directly to capital contributions (note 7)	(76)	(124)
Income capitalized to externally restricted endowments	(6,757)	(45,491)
Excess of revenue over expenditures capitalized to endowments	(3,487)	-
Total investment income recognized as revenue	$ 21,138	$ 29,688

Note 15 Salaries and Benefits

In accordance with Province of Alberta Treasury Board Directive 12/98, amended on July 6, 2004, the salaries and benefits of the University's senior decision management group are disclosed as follows:

				2005	2004
	Base Salary (1)	Other Cash Benefits (2)	Other Non-Cash Benefits (3)	Total	Total
Governance (4)					
Chair of the Board of Governors	$ -	$ -	$ -	$ -	$ -
Members of the Board of Governors	-	-	-	-	-
Executive					
President	287	-	131	418	391
Vice-Presidents:					
Provost and Academic	209	20	62	291	277
Finance and Services	209	-	50	259	204
Research and International	170	-	41	211	202
External Relations	183	-	54	237	224
Total	$ 1,058	$ 20	$ 338	$ 1,416	$ 1,298

(1) *Base Salary*

Base salary includes regular base pay.

(2) *Other Cash Benefits*

Other cash benefits include honorariums.

(3) *Other Non-cash Benefits*

Other non-cash benefits include the University's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plan, workers compensation, supplemental pension plans and professional expense allowance. Benefits reported for the President include a housing allowance. Benefits reported for the President and Vice-Presidents include car allowances or the taxable benefit for the use of University leased vehicles.

(4) *Governance*

The Board of Governors governs the University. Members are either appointed or serve in an ex-officio capacity. Members may be employed by the University. Members do not receive remuneration for their participation on the Board.

Note 16 Budget Comparison

The University's 2004-05 budget was approved by the Board of Governors on April 2, 2004.

	2005		2004	
	Budget	Actual	Budget	Actual
REVENUE				
Government of Alberta grants & Other government grants	$ 384,869	$ 378,912	$ 321,817	$ 345,797
Donations and other grants	68,529	66,714	60,328	63,068
Credit tuition and related fees	117,982	116,485	109,492	113,562
Non-credit tuition and related fees	16,649	13,328	15,163	13,326
Sales of services and products	80,451	72,211	64,394	68,425
Amortization of deferred capital contributions	60,348	59,843	53,607	57,861
Investment income	17,820	21,138	20,825	29,688
	746,648	728,631	645,626	691,727
EXPENSE				
Salaries & Benefits	424,061	412,948	386,814	395,106
Materials, supplies & services, travel, cost of goods sold, maintenance & repairs	195,392	158,776	147,852	149,260
Amortization of capital assets	78,897	79,277	69,514	78,151
Utilities	23,718	21,280	26,777	24,517
Scholarships, grants and awards	30,152	33,640	18,961	22,945
Financing	2,676	3,704	3,769	3,665
	754,896	709,625	653,687	673,644
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	$ (8,248)	$ 19,006	$ (8,061)	$ 18,083

Note 17 Pledges

Outstanding pledges at March 31, 2005 are $23,870 (2004 - $4,997) and have not been recorded as accounts receivable. These pledges are expected to be honored over the next several years.

Note 18 Commitments and Contingencies

(a) As at March 31, 2005 the University has contractual commitments of $56,032 (2004 - $122,372) for capital projects.

(b) The University is a defendant in a number of legal proceedings. Claims against the University in these proceedings have not been reflected in these financial statements. While the ultimate outcome of these proceedings cannot be predicted at this time, it is the opinion of the University and its legal counsel that the resolution of these claims will not have a material effect on the financial position of the University. Any loss that may result from these proceedings will be accounted for in the period in which the settlement occurs.

(c) The University is one of the members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability and errors and omissions risk of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through the members' premiums. As at December 31, 2004 CURIE had a surplus of $5,995 (2003 - $100) of which the University's pro rata share is approximately 6.86% (2003 – 7.07%) on an ongoing basis.

(d) The University's commitments for operating leases for the next five years are as follows: 2006 – $961; 2007 – $747; 2008 – $520; 2009 – $501; 2010 – $397.

(e) In order to manage its exposure to the volatility in the electrical industry, the Board of Governors entered into a three year contract (91.9% fixed, 8.1% floating) to fix its electrical cost at an average of approximately $0.085 per kilowatt hour, expiring on December 31, 2006. Using best estimates of future consumption levels, the annual costs for the year ending March 31, 2006 are expected to be approximately $10 million.

Note 19 Related Party Transactions

(a) The University is a Provincial Corporation as all the members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Advanced Education. Transactions between the University and the Province of Alberta are summarized as follows:

	2005	2004
Alberta Advanced Education:		
Operating grant	$ 210,440	$ 185,250
Access grants	14,010	26,524
Miscellaneous grants	7,030	4,165
Performance funding	2,593	2,000
Capital grant	15,959	-
Total Alberta Advanced Education grants	250,032	217,939
Other provincial departments and agencies	108,871	87,771
Total Government of Alberta grants received	358,903	305,710
Provincial grants deferred	(55,804)	(37,018)
Earned Government of Alberta grants	$ 303,099	$ 268,692

At March 31, 2005 the University had a receivable from the Province of Alberta of $5,064 (2004 - $43,000) and long-term liabilities of $229 (2004 – $232).

(b) The Calgary Health Region and the Province of Alberta are related parties as the Region's board is appointed by the Minister of Health and Wellness. As the University and the Province of Alberta are related parties, the Calgary Health Region is a related party to the University. Transactions between the University and the Calgary Health Region are summarized as follows.

	2005	2004
The University of Calgary pays to the Calgary Health Region in the normal course of operations amounts related to physicians, research projects, studies and grants, programs, and support services.	$ 10,093	$ 9,681
The University of Calgary receives from the Calgary Health Region in the normal course of operations amounts related to salaries & benefits, utilities, materials, supplies, and overheads.	$ 20,953	17,532
Net receivable to the University of Calgary by the Calgary Health Region:	$ 3,422	$ 2,471

The University has entered into a lease agreement with the Region to lease 32 acres of land to the Region for the site of the new Alberta Children's Hospital. The book value of the leased land is $2,562.

Effective September 2003 the University and the Calgary Health Region entered into a 25-year agreement for the Region to lease space in the University Research Centre Building. This lease has been accounted for as a capital lease. At March 31, 2005, the carrying value of the lease receivable is $15,739 (2004 – $15,881). During the year the University received $1,318 in lease payments (2004 – $769), $1,176 of which was recognized as interest income (2004 – $691).

(c) The University of Calgary Foundation (1999) is a private foundation, which operates to receive gifts and donations and to periodically provide grants to the University. During the year, the University received grants from the Foundation totaling $118 (2004 - $152). At March 31, 2005 the University was holding $681 on behalf of the Foundation (2004 - $257).

(d) The University of Calgary Medical Group (UCMG) is a not-for-profit organization that provides billing services to the members of UCMG in accordance with an Agency Agreement and a Member Agreement. These agreements govern the activities of the group such as billings, collections and accounting services. Effective January 1, 2001, a clinical service levy, based on percentages of individual member's medical revenue is paid to the University of Calgary.

(e) The McMahon Stadium Society is incorporated under the Societies Act as a not-for-profit organization. It operates to improve and manage the McMahon Stadium together with its facilities for sports, recreation and other useful purposes. The University of Calgary owns the stadium land and facilities and leases it to the society for one dollar a year. The current lease agreement expires April 30, 2005. During the year, the University of Calgary paid $87 (2004 - $149) to the McMahon Stadium Society for utilities and supplemental costs incurred as a result of the University's use of the facilities.

(f) The University has a one-third joint venture interest in the Campus Alberta: Graduate Program in Counseling. The University, along with Athabasca University and the University of Lethbridge formed the joint venture to develop and deliver a collaborative Alberta Graduate Counseling Program. These transactions are entered into on the same business terms as with non-related parties and are recorded at these fair value amounts. The University's share of revenue and expenses has been recorded using the equity method of accounting. The University's share of joint venture earning for the year is $74 (2004 - $94). The University's equity in the joint venture at March 31, 2005 is $291 (2004 - $217).

(g) In 2005 and 2004, the University participated in offering certain courses with other public colleges, universities, and institutes. The revenues and expenses incurred for these courses have been included in the consolidated statement of revenue, expenses and unrestricted net assets, but have not been separately quantified.

(h) The University of Calgary has leased, for one dollar, 4.81 acres of land for a period of 50 years to the Calgary Health Region (CHR) for the sole purpose of constructing a parkade. In exchange, University employees have access to a minimum of 500 stalls and thereafter, access on an equal basis with CHR employees. The book value of the leased land is $196. The exchange has not been recorded in the financial statements.

Note 20 Comparative Figures

Certain 2004 figures have been reclassified to conform to the 2005 presentation.

Note 21 Subsequent Events

On April 1, 2005, the University of Calgary changed the structure of its ownership interest in University Technologies International Inc. (UTI) to a limited partnership held in trust. This does not result in any change in beneficial ownership of UTI.

Note 22 Approval of Financial Statements

These financial statements have been approved by the Board of Governors following the recommendation of the Audit Committee.

THE ARCTIC INSTITUTE OF NORTH AMERICA
Financial Statements

For the year ended March 31, 2005

Auditor's Report

Financial Statements:

- Statement of Financial Position
- Statement of Revenue and Expense
- Statement of Changes in Net Assets
- Statement of Cash Flows
- Notes to Financial Statements
- Schedule 1 – Arctic Journal Statement of Operations

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of The University of Calgary

I have audited the statement of financial position of the Arctic Institute of North America as at March 31, 2005 and the statements of revenue and expense, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Institute as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
May 27, 2005

THE ARCTIC INSTITUTE OF NORTH AMERICA
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2005

	2005	2004
ASSETS		
Current Assets		
Due from University of Calgary	$ 832,357	$ 778,163
Petty cash	400	400
Accounts receivable	71,427	89,953
Inventory	15,607	19,212
Prepaid expenses	2,982	9,488
	922,773	897,216
Investments (note 3)	1,105,235	969,302
Capital Assets and Collections (note 4)	587,215	557,273
	$ 2,615,223	$ 2,423,791
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued charges	$ 68,083	$ 58,424
Deferred revenue	84,633	80,210
Deferred contributions (note 5)	116,390	80,293
	269,106	218,927
Unamortized Deferred Capital Contributions (note 6)	55,196	30,385
Net Assets		
Unrestricted net assets	1,193,102	1,071,746
Investment in capital assets and collections	532,019	526,888
Internally restricted net assets (note 7)	163,942	182,208
Endowments (note 8)	401,858	393,637
	2,290,921	2,174,479
	$ 2,615,223	$ 2,423,791

Executive Director

Business Manager

The accompanying notes and schedule are part of these financial statements.

THE ARCTIC INSTITUTE OF NORTH AMERICA
STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED MARCH 31, 2005

	2005	2004
Revenue		
University of Calgary and government grants	$ 382,013	$ 463,642
Sales	438,650	390,127
Donations and other grants	249,228	211,174
Investment income (note 9)	77,955	194,335
Earned capital contributions (note 6)	6,094	3,309
	1,153,940	1,262,587
Expense		
Salaries (note 11)	549,185	512,265
Benefits (note 11)	73,499	77,998
Materials	337,750	285,167
Grants and scholarships	27,600	36,365
Amortization	22,188	21,249
Travel and meeting	29,776	20,386
	1,039,998	953,430
Excess of revenue over expense	$ 113,942	$ 309,157

The accompanying notes and schedule are part of these financial statements.

THE ARCTIC INSTITUTE OF NORTH AMERICA
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2005

	Internally Restricted	Unrestricted	Investment in Capital Assets & Collections	Restricted for Endowment Purposes	2005 Total	2004 Total
Net assets, beginning of year	$ 182,208	$ 1,071,746	$ 526,888	$ 393,637	$ 2,174,479	$ 1,813,851
Excess of revenue over expense	-	113,942	-	-	113,942	309,157
Transfer to (from) internally restricted	(4,731)	4,731	-	-	-	-
Gain on externally restricted endowments	-	-	-	-	-	51,157
Gain on internally restricted endowments	-	(4,557)	-	4,557	-	-
Acquisition of internally funded capital assets	(13,535)	(5,190)	18,725	-	-	-
Acquisition of non-amortizable capital assets	-	-	2,500	-	2,500	314
Amortization of internally funded capital assets	-	16,094	(16,094)	-	-	-
Internal transfer to endowments	-	(3,664)	-	3,664	-	-
Net assets, end of year	$ 163,942	$ 1,193,102	$ 532,019	$ 401,858	$ 2,290,921	$ 2,174,479

The accompanying notes and schedule are part of these financial statements.

THE ARCTIC INSTITUTE OF NORTH AMERICA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2005

	2005	2004
Cash provided from (used in):		
Operating Activities		
Excess of revenue over expense	$ **113,942**	$ 309,157
Items not affecting cash flow:		
Amortization of capital assets	**22,188**	21,249
Amortization of deferred capital contributions	**(6,094)**	(3,309)
Gain on non-endowed and internally restricted endowment investments	**(24,687)**	(145,676)
Net change in non-cash working capital	**78,816**	(73,888)
	184,165	107,533
Investing Activities		
Purchase of capital assets, net	**(52,130)**	(20,189)
Contribution of non-amortizable assets	**2,500**	314
Increase in long-term investments, net	**(103,663)**	(85,983)
Gain on investments related to externally restricted endowments	**(7,583)**	(51,157)
	(160,876)	(157,015)
Financing Activities		
Capital contributions	**30,905**	2,972
Gain on externally restricted endowments	-	51,157
	30,905	54,129
Increase in cash and cash equivalents	**54,194**	4,647
Due from University of Calgary, at beginning of year	778,163	773,516
Due from University of Calgary, at end of year	$ 832,357	$ 778,163

	2005	2004
Net change in non-cash working capital:		
Decrease in Accounts receivable	$ **18,526**	$ 10,330
Decrease in Inventory	**3,605**	1,674
Decrease in Prepaid expenses	**6,506**	1,095
Increase (decrease) in Accounts payable	**9,659**	(32,685)
Increase in Deferred revenue	**4,423**	6,795
Increase (decrease) in Deferred contributions	**36,097**	(61,097)
	$ **78,816**	$ (73,888)

The accompanying notes and schedule are part of these financial statements.

THE ARCTIC INSTITUTE OF NORTH AMERICA
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2005

Note 1 Authority and Purpose

The Arctic Institute of North America (the "Institute") operates under authority of an Act of the Federal Parliament (9 – 10 George VI, Chapter 45). Its objective is to initiate, encourage and support northern research and to advance the study of arctic conditions and problems.

Under a 1979 agreement between the Institute and the University of Calgary, the Institute vested its control and management with the University.

The Institute is a charitable organization and is exempt from payment of income tax under the Income Tax Act of Canada.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) *General*

The financial statements of the Institute have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates which may vary from actual results. Such estimates have been made using judgments determined by the Institute's administration. In administration's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting polices summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

(b) *Revenue Recognition*

Operating grants are recognized as revenue in the period receivable. If a portion of a grant relates to a future period, that portion is deferred and recognized in the subsequent period.

Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for the purposes designated by external parties. Any externally restricted contributions containing stipulations that the amounts should be retained as net assets or that the contributions should not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property such as collections.

Externally restricted capital grants are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and the earned capital contributions are matched to indicate that the related amortization expense has been funded.

Amounts received for the sales of services and products are classified as unearned and recognized as revenue at the time the products are delivered or the services are substantially provided.

(c) *Inventory*

Inventory of publications held for resale is valued at the lower of cost and net realizable value. Cost is determined using the first in, first out basis.

(d) *Due from University of Calgary*

Due from University of Calgary represents the Institute's cash held by the University of Calgary.

(e) *Investments*

Investments consist of units held in The University of Calgary pool of index funds. Cash and cash equivalents and investments are held in trust by the Institute's parent, The University of Calgary. Investments are recorded at market value. Market value is determined based on the current market price of the underlying asset. Changes in market value from one period to the next are included in the investment income (loss) for the period (Note 9). Such investment income (loss) is included in revenue in accordance with the revenue recognition policy (Note 2b).

(f) *Capital Assets and Collections*

Capital assets and collections are recorded at cost as acquired. Gifts of capital assets and collections in kind are capitalized at fair value when a fair value can be reasonably determined. Capital assets are amortized on a straight-line basis over the average useful lives of the capital assets which are:

Buildings	30 years
Leasehold improvements	20 years
Furnishing and equipment	10 years
Vehicles	7 years
Other equipment	5 years
Computer equipment	3 years

Collections are not amortized and include that portion of library assets considered to have permanent value and works of art, carvings, historic films, sound records and tape recordings which are held for educational and public exhibition purposes. If sold, collections are removed from the accounts at their book value and any proceeds from their sale are used to acquire other items to be added to the collections. Construction in progress is not amortized until construction is substantially complete and assets are ready for productive use.

(g) *Employee Future Benefits*

The Institute participates in the University Academic and the Public Service Pension Plans. These pension plans are multi-employer defined benefit pension plans that provide pensions for the Institute's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the respective pension plan. The Institute's portion of the pension plans' deficit or surplus is not recorded by the Institute.

(h) *Credit, Interest Rate and Market Risk*

The Institute's accounts receivable are due from a diverse group of customers and are subject to normal credit risks.

The interest rate risk is the risk to the Institute's earnings that arises from the fluctuations in interest rates and the degree of volatility of these rates.

The market risk is the risk to the Institute's earnings that arises from the fluctuations in equity markets the degree of volatility of these markets.

(i) *Financial Instruments*

The carrying value of the financial assets and financial liabilities are considered to approximate fair value unless otherwise disclosed.

Note 3 Investments

Periodically, the Institute's Board directs the University to transfer cash equivalents into long-term investments. During 2005, the Board transferred $100,000 to long-term investments. The University manages the Institute's investments on behalf of the Institute. Investments include instruments in the following funds:

		2005		2004
	Market Yield		**Market Yield**	
S&P/TSX index	**14.02%**	**$ 148,065**	37.71%	$ 295,634
Canadian Equities	**16.25%**	**214,303**	-	-
Bond index	**5.04%**	**321,217**	10.73%	287,722
International index	**6.62%**	**223,187**	41.25%	196,406
S&P 500 index	**-1.74%**	**198,463**	20.74%	189,540
		$ 1,105,235		$ 969,302

Note 4 Capital Assets and Collections

		200		2004
	Cost	Accumulate Amortization	Net	Net
Buildings and leasehold improvements	$ 105,017	$ 80,941	$ 24,076	$ 26,026
Furnishings and equipment	283,195	225,040	58,155	38,627
Collections	495,120	-	495,120	492,620
Construction in Progress	9,864	-	9,864	-
	$ 893,196	$ 305,981	$ 587,215	$ 557,273

Note 5 Deferred Contributions and Deferred Capital Contributions

Deferred contributions represent unspent contributions externally restricted for capital and non-capital purposes. Deferred contribution balances are as follows:

	2005	2004
Contributions received (repaid) during the year:		
Grants	$ 26,020	$ 40,000
Sales	4,235	5,652
Donations and other grants	98,553	6,300
Investment gain (note 8)	7,583	-
Investment income	9,678	15,074
	146,069	67,026
Transferred to revenue:		
Grants	10,591	12,217
Sales	10,271	11,317
Donations and other grants	53,517	83,951
Investment income	4,688	17,666
	79,067	125,151
Transferred to unamortized deferred capital contributions	30,905	2,972
Increase (Decrease) during the year	36,097	(61,097)
Balance beginning of year	80,293	141,390
Balance end of year	$ 116,390	$ 80,293

The balance is restricted for:		
Scholarships	17,337	4,765
Research	99,053	75,528
	$ 116,390	$ 80,293

Note 6 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the externally funded portion of capital assets, which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contributions balance are as follows:

		2005		2004
Transfer from Deferred Contributions (note 5)	**$**	**30,905**	$	2,972
Amortized to revenue		**(6,094)**		(3,309)
Increase (decrease) during the year		**24,811**		(337)
Balance, beginning of year		**30,385**		30,722
Balance, end of year	**$**	**55,196**	$	30,385

Note 7 Internally Restricted Net Assets

The Board of Directors has designated funds for specific purposes. These are for:

		2005		2004
Kluane Field Station refurbishment	**$**	**30,000**	$	30,000
Research Associate Development Fund		**1,164**		3,164
Maintenance – Kluane Lake Research Station		**10,000**		10,000
Publications		**52,400**		60,284
Arctic Science and Technology Information		**70,378**		78,760
	$	**163,942**	$	182,208

Note 8 Endowments

Endowments consist of restricted contributions where the principal is required to be maintained in perpetuity (externally restricted) as well as internal allocations by the Board of Directors (internally restricted). The investment income generated from endowments must be used in accordance with the purpose established by the donors or Board of Directors.

	Balance March 31, 2004	Contributions Received	Investment Gain	Balance March 31, 2005
Externally Restricted:				
Jennifer Robinson Memorial	$ 66,471	$ -	$ 2,025	$ 68,496
Lorraine Allison Scholarship	30,886	-	941	31,827
Jim Bourque Scholarship Fund	20,615	-	634	21,249
Budget Calgary Educational Award	23,082	-	914	23,996
BP Canada Scholarship	65,107	-	1,773	66,880
Gerald Thompson Scholarship	42,433	-	1,296	43,729
	248,594	-	$7,583	256,177
Transfer to deferred contributions (note 5)	-	-	(7,583)	(7,583)
Internally Restricted:				
Life Members Endowment Fund	145,043	3,664	4,557	153,264
	$ 393,637	$ 3,664	$ 4,557	$ 401,858

Note 9 Investment Income

	2005	2004
Restricted investment income on resources held for endowments	$ 9,678	$ 15,074
Non-restricted investment income	48,580	30,994
Total net realized investment income	58,258	46,068
Gain on unrestricted investments	20,130	115,664
Gain on externally restricted endowments	7,583	51,157
Gain on internally restricted endowments	4,557	30,011
	90,528	242,900
Transfer (to) from deferred contributions	(12,573)	2,592
Amounts credited directly to endowment principal	-	(51,157)
Investment income	$ 77,955	$ 194,335

Note 10 Related Party Transactions

(a) The Institute received operating grants of $274,134 (2004 - $362,985) from The University of Calgary. In addition, accommodation, basic office furnishings and certain other administrative and operating costs were borne by the University. These services are valued at $55,911 (2004 - $55,911), and are included in donations and other grants, and materials, supplies and services in these financial statements.

(b) During the year, the Institute administered a number of grants on behalf of The University of Calgary. These grants totalling $32,765 (2004 - $21,500) and related expenditures of $32,765 (2004 - $21,590) are not reflected in these financial statements but are reported in the financial statements of the University.

Note 11 Salaries, Wages and Benefits

					2005		2004
	Full-time Equivalents	Salaries and Wages (1)	Other Cash Benefits (2)	Other Non-Cash Benefits (3)	Total	Full-time Equivalents	Total
Chairman Board of Directors (4)	1.00	$ -	$ -	$ -	$ -	1.00	$ -
Board of Directors (4)	8.30	-	-	-	-	9.00	-
Executive Director (5)	0.63	43,138	-	3,726	46,864	1.00	94,131
Other staff (average 2005 - $70,178 2004 - $60,287)	7.15	407,159	29,403	65,209	501,771	7.96	478,614
Non salaried		69,485	-	4,564	74,049		17,518
		$ 519,782	$ 29,403	$ 73,499	$ 622,684		$ 590,263

(1) Salaries and wages include regular base pay.

(2) Other cash benefits include honorariums, overtime and any other direct cash remuneration.

(3) Other non-cash benefits include the employer's share of all employee benefits including health care, group life, dental, employment insurance, worker's compensation and pension plans.

(4) Board of Directors is the number of individuals on the Board. They do not receive remuneration for their participation on the Board.

(5) During the year, the Executive Director resigned effective September 1, 2004. The position was vacant until January 17, 2005. An Acting Director filled the position from January 17, 2005 to year end.

Note 12 Pension Costs

The Pension expense recorded in these financial statements is equivalent to the Institute's annual contributions payable of $23,242 for the year ended March 31, 2005 (2004 - $25,830).

Note 13 Budget

The Institute's Board of Directors approved the budget on May 8, 2004.

		2005		2004
	Budget	Actual	Budget	Actual
Revenue				
University of Calgary and government grants	$ 455,900	$ 382,013	$446,814	$ 463,642
Sales	330,229	438,650	316,030	390,127
Donations and other grants	215,104	249,228	158,252	211,174
Investment income	46,774	77,955	41,190	194,335
Earned capital contributions	-	6,094	-	3,309
	1,048,007	1,153,940	962,286	1,262,587
Expense				
Salaries	554,935	549,185	512,042	512,265
Benefits	83,150	73,499	74,100	77,998
Materials	330,677	337,750	305,691	285,167
Grants and scholarships	18,000	27,600	17,000	36,365
Amortization	21,300	22,188	20,250	21,249
Travel and meeting	23,500	29,776	23,999	20,386
	1,031,562	1,039,998	953,082	953,430
Excess of revenue over expense	$ 16,445	$ 113,942	$ 9,204	$ 309,157

Note 14 Future Removal and Site Renovations

The buildings that the Institute owns are located on leased land in the Yukon and Nunavut. The lease between the Government of the Yukon and the Institute is for 96 hectares and expires August 31, 2012. The lease of the land in Nunavut is for approximately 10 hectares and expires April 30, 2008.

Under the terms of the lease agreement between the Institute and the Yukon Government, the Institute is required to remove any buildings placed on the land during the lease term. The lease agreement between the Crown and the Institute on the land in Nunavut requires that the land be returned in a restored condition.

The cost to remove buildings and restore the land has not been recorded, as the amount is not estimable at this time.

Note 15 Funds Held on Behalf of Others

The Institute provides administrative support and holds certain funds on behalf of others. The balance as at March 31, 2005 is $48,895 (2004 - $36,623).

Note 16 Approval of Financial Statements

These financial statements have been approved by the Board of Directors of the Institute.

THE ARCTIC INSTITUTE OF NORTH AMERICA
ARCTIC JOURNAL
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2005

	2005	2004
Revenue:		
Grants	$ 11,335	$ 11,324
Memberships and subscriptions	80,637	86,721
Back issues, page charges and reprints	35,566	32,339
Donation	12,908	-
Investment income	5,751	2,508
Total revenue	146,197	132,892
Expense:		
Production and distribution	67,707	71,850
Salaries and benefits	65,957	61,151
Office	5,434	3,430
Total expenditure before amortization	139,098	136,431
Amortization	1,297	1,502
Total expenditure	140,395	137,933
Excess (Deficiency) of revenue over expense	$ 5,802	$ (5,041)

The revenue and expense of the Arctic Journal are included as part of the revenue and expense on the Statement of Revenue and Expense

UNIVERSITY TECHNOLOGIES INTERNATIONAL INC.

Financial Statements

For the year ended March 31, 2005

Auditor's Report

Financial Statements:

- Consolidated Balance Sheet
- Consolidated Statement of Earnings (Loss) and Retained Earnings
- Consolidated Statement of Cash Flows
- Notes to Consolidated Financial Statements
- Consolidated Schedule of Net Licensing and Royalty Revenue
- Consolidated Schedule of Net Product Development Revenue (Expense)
- Consolidated Schedule of Net Sales Revenue
- Consolidated Schedule of Personnel Costs

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Shareholder of University Technologies International Inc.

I have audited the consolidated balance sheet of University Technologies International Inc. as at March 31, 2005 and the consolidated statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
May 16, 2005

University Technologies International Inc.

Consolidated Balance Sheet
As at March 31

	2005	2004
Assets		
Current assets		
Cash and cash equivalents	$ 3,668,365	$ 3,893,793
Accounts receivable	478,584	297,895
Income tax refund receivable	92,999	74,390
Investment tax credit receivable	6,923	60,044
Prepaid expenses	14,142	15,922
Inventory *(note 4)*	78,804	93,116
Restricted cash and cash equivalents *(note 5)*	164,496	692,765
	4,504,313	5,127,925
Investments *(note 6)*	24,556	147,703
Capital assets *(note 7)*	70,662	58,152
Intangible assets *(note 8)*	1,007,962	1,083,106
	$ 5,607,493	$ 6,416,886
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 492,455	$ 586,863
Deferred revenue	164,496	692,765
	656,951	1,279,628
Long-term debt *(note 10)*	386,785	232,738
Non controlling interest in subsidiary companies	105,955	124,077
	492,740	356,815
Shareholder's Equity		
Share capital *(note 11)*		
Common shares	1	1
Class "B" preferred shares	670,159	670,159
Contributed surplus	1,974,197	1,974,197
Retained earnings	1,813,445	2,136,086
	4,457,802	4,780,443
	$ 5,607,493	$ 6,416,886

Commitment (*Note 12*)

On behalf of the Board of Directors

Director Director

The accompanying notes are part of these consolidated financial statements.

University Technologies International Inc.

Consolidated Statement of Earnings (Loss) and Retained Earnings
For the years ended March 31

	2005		2004
	Budget	**Actual**	Actual
Revenue			
Net licensing and royalty revenue (Schedule 1)	$ 1,680,729	$ **1,647,789**	$ 1,539,715
Client contract revenue	75,000	**75,000**	86,070
Net product development revenue (expense) (Schedule 2)	49,500	**(16,795)**	162,916
Net sales revenue (Schedule 3)	90,162	**72,687**	10,584
Other revenue (expense)	-	**(1,103)**	2,764
	1,895,391	**1,777,578**	1,802,049
Expenses			
Personnel (Schedule 4) (*note 14*)	1,441,351	**1,367,598**	1,389,009
Operating	702,472	**871,648**	654,372
Interest	-	**500**	47,450
Amortization	193,000	**267,049**	252,659
Write down of patents	50,000	**181,655**	75,737
Other	343,809	**98,831**	235,227
	2,730,632	**2,787,281**	2,654,454
Expense reimbursements (*note 15*)	(766,884)	**(745,978)**	(1,037,485)
	1,963,748	**2,041,303**	1,616,969
Earnings (loss) before the following	(68,357)	**(263,725)**	185,080
Gain on sale of equity	-	**102,048**	11,776
Share of gain (loss) of equity investments	-	**54**	(115)
Interest income	61,500	**79,522**	120,495
Foreign exchange loss	-	**(54,474)**	(12,786)
Gain on disposal of capital assets	-	**-**	50
Write down of investments	-	**(63,001)**	-
	61,500	**64,149**	119,420
Earnings (loss) before income taxes	(6,857)	**(199,576)**	304,500
Provision for current income taxes (*note 9*)	83,688	**18,687**	80,455
Earnings (loss) before non controlling interest	(90,545)	**(218,263)**	224,045
Non controlling interest in (earnings) loss of subsidiary companies	4,288	**(104,378)**	3,153
Net earnings (loss) for the year	$ (86,257)	**(322,641)**	227,198
Retained earnings, beginning of year		**2,136,086**	1,908,888
Retained earnings, end of year		$ **1,813,445**	$ 2,136,086

The accompanying notes are part of these consolidated financial statements.

University Technologies International Inc.

Consolidated Statement of Cash Flows
For the years ended March 31

	2005	2004
Cash provided by (used in)		
Operating activities		
Net earnings (loss) for the year	$ (322,641)	$ 227,198
Add back non-cash items		
Amortization	267,049	252,659
Gain on sale of capital assets	-	(50)
Gain on sale of equity	(102,048)	(11,776)
Non controlling interest	104,378	(3,153)
Write-down of patents	181,655	75,737
Write-down of investments	63,001	-
Investment in equity interest	(54)	115
	191,340	540,730
Net change in non-cash working capital balances related to operations *(note 16)*	(224,492)	(531,930)
	(33,152)	8,800
Investing activities		
Purchase of capital and intangible assets	(553,315)	(557,921)
Cost recoveries on capital and intangible assets	167,245	245,503
Proceeds on sale of equity	162,247	46,176
	(223,823)	(266,242)
Financing activities		
Dividends to minority interest	(122,500)	(9,800)
Increase in (repayment of) long-term debt	154,047	(265)
	31,547	(10,065)
Decrease in cash and cash equivalents	(225,428)	(267,507)
Cash and cash equivalents, beginning of year	3,893,793	4,161,300
Cash and cash equivalents, end of year	$ 3,668,365	$ 3,893,793
Cash and cash equivalents are comprised of		
Cash in banks	$ 501,914	$ 508,340
Less: restricted cash	(164,496)	(692,765)
Bankers' acceptances	3,330,947	4,078,218
	$ 3,668,365	$ 3,893,793
Supplemental Information		
Cash taxes paid	$ 113,324	$ 125,356
Cash interest received	72,714	111,976
Cash interest paid	500	47,536

The accompanying notes are part of these consolidated financial statements.

1. Nature of operations

University Technologies International Inc. ("UTI" or the "Company") is a profit-oriented licensing, commercialization, and intellectual property management company wholly owned by the University of Calgary.

2. Basis of presentation

These financial statements are prepared on a consolidated basis and include the accounts of the Company, its wholly owned subsidiaries University Technologies International Venture Management Inc., University Technologies International Business Ventures Inc., CytoStore Inc. and its 51 % owned subsidiaries NeuroSpheres Ltd. and NeuroSpheres Holdings Ltd. ("NHL").

3. Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles the more significant of which are as follows:

Revenue recognition

Licensing and client contract revenues are recognized when persuasive evidence of an arrangement exists, collection of the fee is probable and there are no future obligations for performance. Client contract revenue is recorded as services are provided.

Royalty revenues are recognized when earned, based on product sales reported by licensees.

Product development revenues are deferred and recognized as related product development expenses are incurred. Product development revenues include overhead recoveries.

Sales revenue is recorded when the product has been sold, delivery has occurred, and collection is reasonably assured.

a) Investments in significantly influenced companies

The Company accounts for its investments in AB Biopharma Inc. and ACT Pharma Inc., entities over which the Company has significant influence, by the equity method. Under the equity method, the Company's investments are recorded initially at cost, increased by the net earnings of the investee entity, decreased by net losses of the investee entity, and decreased by dividends received from the investee entity and adjustments required to recognize other changes in the Company's equity interest. Net earnings (losses) are recorded based on each investee corporation's most recent fiscal year end.

b) Other long-term investments

Other long-term investments, including marketable equity securities, are accounted for at cost unless it is assessed that there has been an "other than temporary" decline in value.

c) Capital assets

Amortization is provided over the estimated useful lives of the capital assets on a straight-line basis as follows:

Office furniture and artwork	10 to 15 years
Office equipment and systems	3 years
Computer hardware	2 years
Leasehold improvements	Remaining term of 5 year lease

c) Capital assets (continued)

Management assesses the carrying amount of property and equipment for impairment annually and an impairment loss is recognized when the carrying amount exceeds future cash flow. No impairment loss has been recorded to date.

d) Intangible assets

Computer software is amortized on a straight-line basis over its estimated useful life of 2 years.

Patents are recorded at cost and include acquisition and maintenance costs. Patent costs are amortized on a straight-line basis over 10 years. The carrying value of patents related to a project is limited to the estimated future net cash flows from the project. Patent costs in excess of estimated future net cash flows are written off.

e) Investment tax credits

Investment tax credits are recognized when there is reasonable assurance of their recovery using the cost reduction method. Investment tax credits are subject to the customary assessments by the pertinent tax authorities. Adjustments required, if any, are reflected in the year when such assessments are received.

f) Income taxes

Income tax assets and liabilities are recorded to recognize future income tax inflows and outflows arising from the settlement or recovery of assets and liabilities at carrying values. Income tax assets are also recognized for the benefits from tax losses and deductions that cannot be identified with particular assets or liabilities, provided those benefits are more likely than not to be realized. Future income tax assets and liabilities are determinable based on the tax laws and rates that are anticipated to apply in the period of realization. A valuation allowance is recorded to the extent there is uncertainty regarding realization of future tax assets.

g) Foreign currency translation

Transactions denominated in foreign currencies are translated using the temporal method. Under this method, monetary assets and liabilities are translated using the rate of exchange in effect at the balance sheet date, whereas non-monetary assets and liabilities are translated at the rate of exchange in effect on the date of the transaction. Revenues and expenses are translated at monthly average rates prevailing throughout the period, except for amortization, which is translated at exchange rates prevailing when the related assets were acquired. Exchange gains and losses resulting from translation are included in the statement of earnings and retained earnings.

h) Government assistance

Government assistance related to current expenses is recorded as a reduction of expenses when the related expenditures are incurred. Government assistance related to capital expenditures is reflected as a reduction in the cost of such assets. When cash is received in advance of the related expenditures, the grant is recorded as deferred revenue and the cash is separately disclosed as restricted cash.

i) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are made for recoverability of patent costs and investment valuations.

3. Significant accounting policies (continued)

j) Cash and cash equivalents

Cash and cash equivalents consists of cash on deposit and highly liquid short-term interest bearing securities which mature within three months or less of the date of purchase.

l) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first-in-first-out basis and consists of laid-down material costs.

4. Inventory

Inventory is comprised of:

		2005		2004
UTI – Dataloggers & Cables	$	**45,512**	$	60,298
CytoStore – Reagents		**33,292**		32,818
	$	**78,804**	$	93,116

5. Restricted cash and cash equivalents

Certain cash and cash equivalents balances amounting to $164,496 (2004 - $692,765) are not available to pay ordinary operating expenses of the Company.

- $164,496 (2004 - $142,765) is held to pay for research and development expenses as provided by the terms of the agreements between the Company and firms sponsoring such activities.
- At March 31, 2004 $500,000 was held to pay for costs associated with technology, commercialization and new enterprise development as provided by the terms of a Government of Alberta grant received during that year.
- At March 31, 2004 $50,000 was held to pay for company creation initiatives as provided by the terms of a Government of Canada grant received during that year.

6. Investments

	2005	2004
ACT Pharma Inc. – 49.99% of the issued and outstanding shares		
Equity investment at beginning of year	**54**	169
Share of income (loss)	**54**	(115)
	108	54
Other investments at cost		
Capitol Energy Resources Inc.	**1**	1
Cell-Loc Location Technologies Inc.	**1,259**	1,259
Helix Biomedix Inc. (1)	**1**	1
Membrane Reactor Technologies Inc. (1)	-	-
Oncolytics Biotech Inc.	**23,184**	23,184
On Stream Technologies Inc. (1)	**1**	1
Quorex Pharmaceuticals, Inc. (5)	-	1
SalPep Inc.	**1**	1
SemBioSys Genetics Inc. (2)	-	-
StemCells Inc. (3)	-	60,200
Sonexis, Inc. (formerly eYaK, Inc.) (4)	-	63,000
Wi-Lan Inc.	**1**	1
	24,448	147,649
	$ **24,556**	$ 147,703

(1) Investments in Helix Biomedix Inc, Membrane Reactor Technologies Inc., and On Stream Technologies Inc. are related to non-monetary exchanges of shares in each company for licenses. The fair value of each transaction was nominal at the exchange date.

(2) SemBioSys Genetics Inc. became a publicly traded company during 2005 and is no longer accounted for using the equity method.

(3) During 2005 the Company sold 100% of its interest in StemCells Inc.

(4) During 2005 Sonexis, Inc. went through a share reorganization and the Company's interest in Sonexis, Inc. was eliminated. The Company has written off its investment in Sonexis.

(5) During 2005, Quorex Pharmaceuticals, Inc. filed a Certificate of Dissolution with the State of Delaware and is winding up its affairs. The Company has written off its investment in Quorex Pharmaceuticals, Inc.

(a) Other equity investments

The Company also holds an equity investment of 49.99% in AB Biopharma Inc. The current value of the equity in this entity is nil.

(b) Other investments at market

Shares held in public companies and their related market values at the year-end are as follows:

	2005		2004	
	Number of shares	Market value	Number of shares	Market value
Capitol Energy Resources	**5,500**	**$ 5,610**	5,500	$ 4,290
Cell-Loc Location Technologies Inc.	**11,000**	**1,650**	11,000	2,255
Helix Biomedix Inc.	**4,050**	**6,278**	-	-
Oncolytics Biotech Inc.	**13,800**	**66,930**	13,800	112,746
SemBioSys Genetics, Inc.[(1)]	**1,336,264**	**6,681,320**	-	-
StemCells Inc. (U.S. $)	-	-	35,000	58,800
Wi-Lan Inc.	**21,000**	**$ 20,580**	21,000	$ 70,770

(1) The Company assessed the market value of SemBioSys Genetics at the IPO price of $5.00, even though SemBioSys shares were trading at $6.50 at March 31, 2005, due to the limited marketability.

7. Capital assets

			2005
	Cost	Accumulated amortization	Net
Artwork	**$ 3,239**	**$ 846**	**$ 2,393**
Office equipment and systems	**60,162**	**50,869**	**9,293**
Office furniture	**78,863**	**55,062**	**23,801**
Computer hardware	**100,109**	**79,247**	**20,862**
Leasehold improvements	**40,435**	**26,122**	**14,313**
	$ 282,808	**$ 212,146**	**$ 70,662**

			2004
	Cost	Accumulated amortization	Net
Artwork	$ 3,239	$ 630	$ 2,609
Office equipment and systems	57,553	45,252	12,301
Office furniture	78,863	47,176	31,687
Computer hardware	86,871	84,357	2,514
Leasehold improvements	28,550	19,509	9,041
	$ 255,076	$ 196,924	$ 58,152

8. Intangible assets

			2005
	Cost	Accumulated amortization	Net
Computer software	$ 99,212	$ 73,112	$ 26,100
Patents	2,182,808	1,200,946	981,862
	$ 2,282,020	$ 1,274,058	$ 1,007,962

			2004
	Cost	Accumulated amortization	Net
Computer software	$ 73,281	$ 54,064	$ 19,217
Patents	2,180,664	1,116,775	1,063,889
	$ 2,253,945	$ 1,170,839	$ 1,083,106

During the year, patents with a net book value of $181,655 (2004 - $75,737) were written off.

9. Income taxes

The Company's income tax provision has been determined as follows:

	2005	2004
Earnings (loss) before income taxes	$ (199,576)	$ 304,500
Combined basic Federal and Provincial Income tax expense (recovery)	(67,097)	109,985
Small business deduction	(48,021)	(50,160)
Permanent non-deductible items	12,582	18,696
Reduction of deductible temporary differences not recognized	-	(27,555)
Change in valuation allowance	156,679	-
Utilization of ITC credit to reduce tax	(26,634)	-
Prior year adjustments	(6,353)	29,489
Other	(2,469)	-
Provision for current income taxes	$ 18,687	$ 80,455

The significant components of the Company's future income tax asset is summarized as follows:

	2005	2004
Capital assets	$ **454,005**	$ 484,379
Non-capital loss carryforwards	**450,848**	108,947
Eligible Capital	**123,202**	-
Capital loss carryforwards	**31,500**	-
Future income tax asset	**1,059,555**	593,326
Less: Valuation Allowance	$ **(1,059,555)**	$ (593,326)

10. Long-term debt

At March 31, 2005, the Company's long-term debt included $232,738 (2004 - $232,738) received by NeuroSpheres through the Alberta Heritage Foundation for Medical Research (AHFMR) in accordance with an agreement dated November 3, 1993 and $154,047 (2004 – Nil) received by CytoStore through Western Economic Diversification Canada (WED) in accordance with an agreement dated March 22, 2005.

NeuroSpheres' debt is non-interest bearing and repayment is contingent upon NeuroSpheres' ability to generate gross sales of product and services. As sales are generated, the lesser of $100,000 and 5% of gross sales is to be paid to AHFMR on an annual basis until the principal debt of $232,738 (2004 - $232,738) plus an additional royalty of $250,000 is paid to AHFMR.

AHFMR has the option to convert the outstanding obligation including the debt of $232,738 plus the contingent royalty liability of $250,000 into an equity interest in NeuroSpheres equal to 2.5% of all issued and outstanding shares at the time the option is exercised. The option value was deemed to be nominal at the grant date.

CytoStore's debt is interest bearing and repayment is contingent upon CytoStore's ability to generate gross sales of product. CytoStore is required to pay ten (10) annual installments equal to 5% of all gross revenue in excess of $2,500,000 received by CytoStore until the total amount contributed by WED is repaid. The initial installment is due on May 31, 2009 for the fiscal year ended March 31, 2009. However, if in any year CytoStore's revenues are $2,500,000 or less, the installment payment required for that year will be nil. To date, no amount has been repaid.

Interest on the debt is set at the rate of three percent above the minimum rate at which the Bank of Canada is prepared to make loans as at the date the payments are due. The interest is compounded monthly on any amount that remains unpaid 30 days after the date on which the payment was due.

11. Share capital

(a) Authorized

Unlimited number of common shares
Unlimited number of Class "B" voting preferred shares

(b) Outstanding

		Number of shares		Amount
Common shares				
Balance – March 31, 2005 and 2004	$	1	$	1
Class "B" voting preferred shares				
Balance – March 31, 2005 and 2004	$	670,159	$	670,159

Class "B" voting preferred shares are redeemable at the Company's option and are entitled to a non-cumulative dividend, when and if declared by the Company, of up to 15% per annum.

12. Commitment

The Company is committed to minimum operating lease payments under the terms of premises leases of $79,408 for the year ended March 31, 2006.

13. Related party transactions

During the year, the Company and its subsidiaries were involved in the following transactions with the Company's parent, the University of Calgary:

		2005		2004
Client contract revenue	$	**75,000**	$	75,000
Other revenue		**64,939**		8,705
Product development expense		**28,503**		337,276
Other services included in operating expense		**39,249**		7,904
Royalty payments		**40,133**		50,637
Reagent production costs		**21,645**		41,176
Capital asset expenditures		**530**		744
Project expenditures		**43,602**		2,479
Other		**3,323**		-

At March 31, 2005, accounts payable included $28,485 (2004 - $26,762) due to the University of Calgary related to the above transactions. These transactions were entered into on the same terms and conditions as transactions with non-related parties and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

14. Defined contribution plans

The Company maintains voluntary defined contribution plans for its eligible full-time and part-time employees. The Company will match and contribute up to a maximum of 4% of an employee's gross salary to an RRSP. This contribution is based on the executive level of the employee, length of service of the employee and the amount the employee contributes. The Company also contributes 3% of an employee's gross salary to a pension plan. The Company contributed a total of $56,768 in the fiscal year 2005 (2004 - $42,257).

15. Expense reimbursements

Expense reimbursements consist of:

		2005		2004
Government Assistance				
Government of Alberta	$	630,333	$	577,666
Government of Canada		82,960		333,146
		713,293		910,812
Other reimbursements		32,685		126,673
	$	745,978	$	1,037,485

At March 31, 2004 the Company had deferred revenue of $500,000 relating to a grant received from the Province in fiscal year 2004.

16. Changes in non-cash working capital

		2005		2004
Accounts receivable	$	(180,689)	$	129,636
Income tax refund receivable		(18,609)		(74,390)
Investment tax credit receivable		53,121		(10,646)
Prepaid expense		1,779		(600)
Inventory		14,312		(93,116)
Restricted cash		528,269		(54,885)
Accounts payable and accrued liabilities		(94,406)		(220,118)
Income tax payable		-		(262,696)
Deferred revenue		(528,269)		54,885
	$	(224,492)	$	(531,930)

17. Budget

The budget was approved by the Board of Directors on March 24, 2004.

18. Financial instruments

(a) Fair value

Financial instruments are comprised of cash and cash equivalents, accounts receivable, income tax refund receivable, investment tax credits receivable, restricted cash and cash equivalents, accounts payable and accrued liabilities, investment and long-term debt. The fair value of monetary assets and liabilities, except investments and long-term debt, is not considered to be materially different from their stated values, due to the relatively short period to maturity of all significant balances. The fair market value of the investments has been disclosed in Note 6b. The long-term debt balance relating to AHFMR does not currently have fixed repayment terms; however the long-term debt balance with WED has repayment terms based on gross revenue. Therefore it is not possible to determine fair value of these financial instruments at March 31, 2005. Financial derivative instruments are not used by the Company.

(b) Credit and foreign currency risk

The Company is not exposed to significant credit risk as it sells mainly to a diverse group of established distributors and users. Foreign currency risk is not considered to be significant as the majority of the Company's sales are in Canadian dollars.

(c) Interest rate risk

The Company is exposed to interest rate risk in relation to interest income earned on cash and cash equivalents. At March 31, 2005, the increase or decrease in earnings for each 1% change in interest rates earned on cash and cash equivalents amounts to approximately $38,000 per annum before tax (2004 – $39,000).

19. Subsequent Events

On April 1, 2005, the University of Calgary transferred its shares in the Company to 6325041 Canada Ltd. (the "Numbered Co.") in exchange for a promissory note and a nominal number of shares of the Numbered Co. The Company was then amalgamated with Numbered Co. to form a new University Technologies International Inc. ("New UTI"). New UTI then became the general partner and manager of UTI Limited Partnership (the "Partnership"). New UTI contributed all of its assets to the Partnership, as a capital contribution, at their fair market value of $9,000,000, in exchange for one Class A Preferred Partnership Unit and the assumption of its liabilities by the Partnership.

The contribution of the net assets has been accounted for, by the Partnership, using the carrying amounts of the assets contributed and the liabilities assumed in the accounts of New UTI (the "Historical Book Values"). The assets and liabilities contributed at Historical Book Values are as follows:

Cash and cash equivalents	$3,668,365
Inventory	78,804
Other current assets	757,145
Investments	24,556
Capital assets	70,662
Intangible assets	1,007,962
Current liabilities	(656,951)
Long-term liabilities	(492,740)
Net Assets contributed	4,457,803
Consideration paid	9,000,000
Excess of consideration paid over Historical Book Values	$4,542,197

In accordance with generally accepted accounting principles for related party transactions, the excess of the consideration paid over the Historical Book Values of the assets has been accounted for as a reduction of unitholders' equity.

University Technologies International Inc.

Schedule 1

Consolidated Schedule of Net Licensing and Royalty Revenue
For the years ended March 31

	2005		2004
	Budget	**Actual**	Actual
Gross revenue from licensing and royalty agreements	$ 4,112,588	$ **3,597,463**	$ 3,294,481
Distribution to other parties under licensing and royalty agreements			
Inventors	2,396,026	**1,906,304**	1,700,984
Client institutions	35,833	**43,370**	53,782
	2,431,859	**1,949,674**	1,754,766
Net licensing and royalty revenue	$ 1,680,729	$ **1,647,789**	$ 1,539,715

University Technologies International Inc.

Schedule 2

Consolidated Schedule of Net Product Development Revenue (Expense)
For the years ended March 31

	2005		2004
	Budget	**Actual**	Actual
Revenue earned under product development agreements	$ 120,000	$ **94,680**	$ 365,201
Product development expense	70,500	**68,511**	339,013
Investment tax credits repayable (recoverable)	0	**42,964**	(136,728)
	70,500	**111,475**	202,285
Net product development revenue (expense)	$ 49,500	$ **(16,795)**	$ 162,916

University Technologies International Inc.

Consolidated Schedule of Net Sales Revenue
For the years ended March 31

	2005		2004
	Budget	**Actual**	Actual
Sales revenue	$ 131,856	$ **91,270**	$ 19,783
Cost of sales	41,694	**15,638**	3,687
Production expense	-	**2,945**	5,512
	41,694	**18,583**	9,199
Net sales revenue	$ 90,162	$ **72,687**	$ 10,584

University Technologies International Inc.

Schedule 4

Consolidated Schedule of Personnel Costs
For the years ended March 31

	2005					2004	
	Number of individuals	Base Salary (1) $	Other Cash Benefits (2) $	Benefits and allowances (3) $	Total $	Number of individuals	Total $
Chairman	1	36,000	-	-	36,000	1	36,000
Other directors	13	-	-	-	-	13	-
Senior employees:							
President	1	182,437	80,000	16,119	273,556	1	179,983
VP Business Development (4)	1	131,457	-	11,219	142,676	1	224,485
VP Finance (5)	1	46,879	-	3,949	50,828	-	-

(1) Base salary includes pensionable base pay.

(2) Other cash benefits include bonuses, vacation payments, overtime, and lump sum payments.

(3) Benefits and allowances include the Company's share of all employee benefits and contributions or payments made on behalf of employees including Canada Pension Plan, Employment Insurance, health care, dental coverage, group life insurance and pension.

(4) During 2004, the President left his employment with the Company mid-way through the year. In the absence of a President, the Vice President filled in as interim President. His salary and benefits reflect his service as a President during this term.

(5) The Company hired a Vice President Finance and Administration in September of 2004.

OLYMPIC OVAL/ANNEAU OLYMPIQUE

Financial Statements

For the year ended March 31, 2005

Auditor's Report

Financial Statements:

- Statement of Base Operating Costs and Revenue
- Statement of Expenditures Incurred in Providing Programming for High Performance Athletes and Fund Balance
- Statement of Revenue and Expense for the Coaching Services Program
- Statement of Reserves
- Notes to the Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of the University of Calgary and the Board of Directors of Calgary Olympic Development Association

I have audited the statements of base operating costs and revenue of the Olympic Oval/Anneau Olympique, expenditures incurred in providing programming for high performance athletes and fund balance, revenue and expense for the coaching services program, and reserves for the year ended March 31, 2005. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

The Oval Long-term Operating Agreement requires that all revenues received and expenses incurred by the University in connection with the maintenance, management and operation of the Olympic Oval be included in the financial statements. However, the statement of base operating costs and revenues does not include all the revenues and expenses arising from the University's use of the Oval facility. The amount of these excluded revenues and expenses is not reasonably determinable.

In my opinion, except for the exclusion of the revenues and expenses referred to in the preceding paragraph, these financial statements present fairly, in all material respects:

- the base operating costs and revenues;
- the expenditures incurred in providing programming for high performance athletes and fund balance;
- the revenue and expense for the coaching services program;
- and the reserves of the Olympic Oval/Anneau Olympique

for the year ended March 31, 2005 in accordance with Article 7.01a of the Oval Long-term Operating Agreement, December 31, 1987 and the Oval Long-term Operating Amending Agreement, April 1, 1995.

Fred Dunn FCA
Auditor General

Edmonton, Alberta
June 3, 2005

Olympic Oval/Anneau Olympique
Statement of Base Operating Costs and Revenue
For the year ended March 31, 2005

	2005 $ Budget (Note 7)	2005 $ Actual	2004 $ Actual
Base Operating Costs (Note 2)			
Salaries and benefits	1,862,616	1,899,458	1,645,931
Utilities and maintenance	1,459,082	1,134,403	1,498,658
Supplies and advertising	140,000	216,885	184,594
Central administration support	35,000	32,447	32,445
Purchased services	115,600	152,589	142,229
Telecommunications and postage	30,000	31,738	27,410
Travel and hosting	50,000	54,616	76,404
Insurance	13,000	20,659	12,012
Legal and audit	12,000	16,100	16,698
	3,717,298	3,558,895	3,636,381
Vacation pay not funded (Note 2)	-	(4,250)	2,213
Gross Revenue (Note 2)	(535,000)	(689,017)	(588,101)
Net base operating costs before other	3,182,298	2,865,628	3,050,493
Coaching services program deficiency/(excess) of revenue over expense	155,000	(103,899)	191,783
High performance programming	100,000	100,000	100,000
Operating costs to be funded	3,437,298	2,861,729	3,342,276
Funded by:			
University of Calgary (Note 3)	1,212,432	1,024,255	1,172,787
Calgary Olympic Development Association (Note 3)	2,224,866	1,837,474	2,169,489
	3,437,298	2,861,729	3,342,276

The accompanying notes are part of these statements.

Olympic Oval/Anneau Olympique

Statement of Expenditures Incurred in Providing Programming
for High Performance Athletes and Fund Balance

For the year ended March 31, 2005

	2005 $	2004 $
Funds available at beginning of year	244,250	183,533
Less expenditures:		
Athlete support services	16,500	15,875
Transfer to coaching services program	30,000	-
Research funding	-	5,000
Research salaries and benefits	5,000	1,530
Research equipment and supplies	4,604	16,878
	56,104	39,283
Add University of Calgary allocation of revenues earned for high performance athletes programming	100,000	100,000
Funds available at end of year for expenditure on high performance athletes programming	288,146	244,250

The accompanying notes are part of these statements.

Olympic Oval/Anneau Olympique

Statement of Revenue and Expense

For the Coaching Services Program

For the year ended March 31, 2005

	2005			2004		
	Other Programming $	High Performance Athletes $	Total $	Other Programming $	High Performance Athletes $	Total $
Revenue:						
Grants and sponsorships	92,964	770,908	863,872	19,132	650,606	669,738
Camps and competitions	237,191	35,218	272,409	192,855	65,152	258,007
Coaching and other fees	143,135	363,523	506,658	192,722	280,051	472,773
General	54,997	21,860	76,857	47,008	38,968	85,976
Transfer from programming for high performance athletes	-	30,000	30,000	-	-	-
	528,287	1,221,509	1,749,796	451,717	1,034,777	1,486,494
Expense:						
Coaching salaries & benefits	166,326	900,280	1,066,606	218,195	949,616	1,167,811
Specialist sport services	68,335	119,408	187,743	56,319	76,349	132,668
Travel, camps, competitions	86,280	101,121	187,401	79,283	82,566	161,849
Advertising	1,607	5,643	7,250	3,028	120	3,148
Supplies	55,076	56,487	111,563	36,960	122,797	159,757
Meeting expense	12,302	5,183	17,485	3,213	23,263	26,476
Bursaries	-	60,100	60,100	-	21,500	21,500
Rentals and leases	589	1,699	2,288	4,020	251	4,271
Memberships	-	-	-	-	210	210
Other	1,945	40	1,985	45	1,782	1,827
	392,460	1,249,961	1,642,421	401,063	1,278,454	1,679,517
Excess (deficiency) of revenue over expense	135,827	(28,452)	107,375	50,654	(243,677)	(193,023)
Vacation pay not funded (Note 2)	(3,699)	223	(3,476)	4,587	(3,347)	1,240
Excess (deficiency) of revenue over expense – net to be funded	132,128	(28,229)	103,899	55,241	(247,024)	(191,783)

The accompanying notes are part of these statements.

Olympic Oval/Anneau Olympique
Statement of Reserves
For the year ended March 31, 2005

	Building Reserve		Special Equipment Reserve		New Equipment Reserve	
	2005 $	2004 $	2005 $	2004 $	2005 $	2004 $
Capital renewal provision	180,034	170,468	64,812	74,442	-	-
Interest	29,768	32,724	10,330	12,275	-	6,183
	209,802	203,192	75,142	86,717	-	6,183
Capital expenditures	2,608,664	471,497	136,737	221,737	-	206,236
Less funded by CODA	(1,739,109)	(314,331)	(91,158)	(147,825)	-	-
	869,555	157,166	45,579	73,912	-	206,236
Increase (decrease) in reserve for the year	(659,753)	46,026	29,563	12,805	-	(200,053)
Reserve balance at beginning of year	1,321,050	1,275,024	475,839	463,034	-	200,053
Reserve balance at end of year (Note 5)	661,297	1,321,050	505,402	475,839	-	-

The accompanying notes are part of these statements.

Olympic Oval/Anneau Olympique

Notes to the Statements

March 31, 2005

1 Purpose

The Olympic Oval/Anneau Olympique ("the Oval") was constructed by the University of Calgary (the "University") to serve as the speed skating venue for the 1988 Olympic Winter Games, with capital funding provided entirely by the Government of Canada. It is now operated as a legacy of the Games for the benefit of high performance athletes, the general public, and students and researchers of the University.

The Oval is operated by the University under the Oval Long-term Operating Agreement, December 31, 1987 and the Oval Long-term Operating Amending Agreement, April 1, 1995, (the Agreements), between the University, the Government of Canada and the Calgary Olympic Development Association ("CODA").

The purpose of the Oval as defined in the Oval Long-term Operating Agreement is to:

- recruit, train and coach High Performance Athletes;
- provide the University with a teaching, training, coaching, research, competition, and recreation facility;
- assist National and Provincial sport associations with their programs for high performance athletes at the Oval;
- assist the University and CODA related sports clubs to recruit, train, coach and compete in high performance sports utilizing the Oval;
- make the Oval available for international, national and regional games, competitions and athletic events; and
- provide the Oval as an accessible sports and recreation facility.

1 Purpose (continued)

An Olympic Endowment Fund (OEF) was created in December 1987. The distributable income from the fund is used to pay, among other costs, 2/3 of the Base Operating Cost less 2/3 of the Gross Revenue of the Oval and to appropriate to the Oval OEF Reserve 2/3 of the capital renewal provision for the Olympic Oval. This appropriation is held by the Calgary Olympic Development Association. 2/3 of the capital costs related to the Oval are funded out of the Oval OEF.

2 Significant Accounting Policies and Reporting Practices

These statements have been prepared in accordance with the requirements of the Agreements. The following definitions apply:

a) *Base Operating Costs*

Base operating costs are the aggregate of annual costs and expenses directly applicable to the maintenance, management and operation of the Oval, but exclude the costs of Programming and Capital Renewal Cost. Capital Renewal Cost is expenditures incurred for the repair, upgrading and replacement of Building, Building Equipment and Special Equipment.

b) *Gross Revenue*

Gross revenue is defined as revenue received from use of the Oval including, without limitation, user fees, concessions, billboard advertising, scoreboard advertising, pro-shop(s), locker rentals, building tours, souvenirs, sponsorships, TV rights, and radio rights except where gross revenues are directly linked to programming or other obligations where those gross revenues have an associated expenditure requirement, then only the net revenue is included.

c) *Funding*

Funding has been calculated in accordance with the agreement (See Note 3). Vacation pay is accrued at year end and funded when vacation is taken.

2 Significant Accounting Policies and Reporting Practices (continued)

d) *High Performance Programming*

High performance programming includes the revenue and expenses that are incurred to support nationally carded athletes and those athletes at a developmental level whose training is geared to becoming such an athlete. High performance programming includes the staging of international and national competitions.

e) *Other Programming*

Other programming includes the revenue and expenses that are incurred to support developmental athletes and includes all developmental camps and competitions. Other programming also includes the revenue and expenses for the Olympic Oval Cycling Program.

f) *Reserves*

Reserves have been established for the building, special equipment and new equipment. Reserves are calculated in accordance with the agreement (See Note 5).

3 Funding

Funding is calculated in accordance with the agreement. The main elements are:

- The University funds 1/3 of the net base operating costs.
- The University funds 1/3 and CODA funds 2/3 of the coaching program deficiency except for the cycling program.
- The University funds 100% of the program deficiency for the cycling program.
- The University is allocated 1/3 of the gross revenue and is required to transfer $100,000 of the gross revenue allocated to the University to fund high performance athletes. Where one-third of the revenue is in excess of $100,000, the remainder is used to offset the University's share of base operating costs.

3 Funding (continued)

- CODA funds 2/3 of the base operating costs less 2/3 of the gross revenue.

Funding has been calculated as follows:

University of Calgary	2005 $	Share	2005 Funding $	2004 $	2004 Funding $
Net base operating costs	2,865,628	1/3	955,209	3,050,493	1,016,831
Coaching services program deficiency/(excess)	(109,418)	1/3	(36,473)	203,741	67,914
Cycling program deficiency/(excess)	5,519	100%	5,519	(11,958)	(11,958)
University of Calgary share of revenue allocated to high performance athletes programming from gross revenue	100,000	100%	100,000	100,000	100,000
	2,861,729		1,024,255	3,342,276	1,172,787

CODA	2005 $	Share	2005 Funding $	2004 $	2004 Funding $
Net base operating costs	2,865,628	2/3	1,910,419	3,050,493	2,033,662
Coaching services program deficiency/(excess)	(109,418)	2/3	(72,945)	203,741	135,827
Cycling program deficiency/(excess)	5,519	-	-	(11,958)	-
University of Calgary share of revenue allocated to high performance athletes programming from gross revenue	100,000	-	-	100,000	-
	2,861,729		1,837,474	3,342,276	2,169,489

4 High Performance Programming and Fund Balance

The unexpended portion of the funds is held in an account by the University of Calgary for the Oval.

5 Reserves

The University is required to contribute one-third of the Capital Renewal Provisions for the building and the special equipment reserves, which are defined as follows:

5 Reserves (continued)

Building Reserve

- A reserve established to fund expenditures for repair, upgrading and replacement of Building and Building Equipment by an annual provision of $370,000 subject to adjustment by agreement of the parties escalated annually in proportion to the increase in the Construction Price Index, the aggregate of which cannot exceed $3,000,000 escalated annually in proportion to the increase in the Construction Price Index.

Special Equipment Reserve

- A reserve established to fund expenditures for repair, upgrading and replacement of Special Equipment by an annual provision calculated by Calgary Olympic Development Association and the University to maintain a reserve balance of not less than $1,000,000 expressed in 1989-90 dollars, subject to adjustment by agreement of the parties escalated annually in proportion to the Construction Price Index.

The Non-residential Building Construction Price Index for Calgary is used to calculate the annual adjustment required under the Agreements for both reserves. The increase in the index from the prior year is applied to the annual provision for the Building Reserve. The increase in the index is also applied to the 1995-96 value for the Special Equipment Reserve to determine the minimum reserve balance required.

All capital renewal costs are initially paid for by the Oval. The Calgary Olympic Development Association reimburses the Oval for two-thirds of all capital renewal costs. One-third of the costs are funded by the University.

The University's share of the reserve balances are held by the University of Calgary. These statements reflect only the balance of reserves held by the University.

5 Reserves (continued)

New Equipment Reserve

A separate reserve for the funding of new equipment was also established from the proceeds of the sale of the Oval artificial turf. The University holds this reserve and there is no funding requirement for new equipment reserve. As approved by the Allocation Committee this fund was depleted during the prior year to fund Capital expenditures.

6 Coaching Services Program

The coaching services program includes revenue earned and expenses incurred in providing programming to both high performance and other athletes. Revenue and expenses under this program are classified as high performance when they have been received or incurred to support nationally carded athletes including those that may be at a developmental level. Revenue and expenses incurred to support other athletes have been classified as other programming on the statement of revenue and expense for the coaching services program.

7 Budget

The 2005 base operating budget was approved by the Olympic Endowment Fund Allocations Committee on September 20, 2004.

8 Comparative Figures

Certain comparative figures have been reclassified to conform to the current year presentation.

9 Approval of Statements

These statements were approved by management.

UNIVERSITY OF LETHBRIDGE

Financial Statements

For the year ended March 31, 2005

Auditor's Report

Financial Statements:

- Statement of Financial Position
- Statement of Operations
- Statement of Changes in Net Assets
- Statement of Cash Flows
- Notes to Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Governors of the University of Lethbridge

I have audited the statement of financial position of the University of Lethbridge as at March 31, 2005 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
May 10, 2005

University of
Lethbridge

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31
(thousands of dollars)

	2005	2004
ASSETS		
CURRENT ASSETS		
Cash and short-term investments	$ 18,196	$ 12,553
Accounts receivable	5,420	3,990
Inventories	476	541
Prepaid expenses	593	574
	24,685	17,658
INVESTMENTS (Notes 3, 4)	51,325	47,815
CAPITAL ASSETS (Note 5)	139,581	140,412
COLLECTION (Note 6)	33,194	32,997
	$ 248,785	$ 238,882
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 5,460	$ 4,164
Employee benefit liabilities (Note 7)	4,411	4,428
Deferred revenue	936	664
Deferred tuition fees	3,512	3,031
Deferred contributions (Note 9)	13,843	10,726
Current portion of long term debt	115	109
	28,277	23,122
LONG TERM LIABILITIES		
Accounts payable - construction projects	158	319
Long term debt (Note 10)	3,776	3,891
Employee benefit liabilities (Note 7)	5,545	4,644
Deferred capital contributions (Note 11)	1,739	1,282
	11,218	10,136
UNAMORTIZED DEFERRED CAPITAL CONTRIBUTIONS (Note 12)	84,437	88,358
NET ASSETS		
Investment in capital assets and collection	84,445	81,050
Endowments (Note 13)	11,975	11,227
Internally restricted net assets (Note 14)	13,713	5,399
Unrestricted net assets	14,720	19,590
	124,853	117,266
Commitments and Contingencies (Note 22)		
	$ 248,785	$ 238,882

The accompanying notes are part of these financial statements.

University of
Lethbridge

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31
(thousands of dollars)

		2005	2004
REVENUE			
	Grants	$ 67,093	$ 62,659
	Tuition and related fees	33,743	30,183
	Sales of services and products	9,398	8,095
	Miscellaneous	3,195	2,960
	Investment income (Note 15)	2,395	1,940
	Gifts and donations	663	307
	Amortization of deferred capital contributions (Note 12)	6,153	6,262
		122,640	112,406
EXPENSE			
	Salaries	65,915	58,968
	Employee benefits	10,805	9,694
	Scholarships, fellowships and bursaries (Note 21)	2,982	2,586
	Supplies and services	7,618	6,645
	Cost of goods sold	2,888	2,759
	Travel	3,080	2,801
	Utilities	3,046	3,022
	External contracted services	2,683	2,199
	Repairs and maintenance	1,796	2,242
	Professional fees	839	600
	Interest on long term liabilities	429	687
	Insurance	367	298
	Property taxes	219	199
	Loss on disposal of capital assets	1,094	1
	Unrealized loss on write-down of investments	55	85
	Amortization of capital assets	12,064	11,557
		115,880	104,343
EXCESS OF REVENUE OVER EXPENSE		$ 6,760	$ 8,063

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31
(thousands of dollars)

	2005					2004
	Investment in Capital Assets and Collection	Endowments	Internally Restricted	Internally Unrestricted	TOTAL	TOTAL
BALANCE, beginning of year	$ 81,050	11,227	5,399	19,590	117,266	108,808
Excess of revenue over expense	-	-	-	6,760	6,760	8,063
Direct increases to net assets:						
Non-amortizable collection donations (Note 6)	197	-	-	-	197	92
Endowment contributions	-	409	-	-	409	123
Capitalized investment earnings	-	221	-	-	221	180
Transfers:						
Internally funded:						
Capital asset additions	10,163	-	-	(10,163)	-	-
Net book value of capital asset disposals	(1,133)	-	-	1,133	-	-
Amortization	(5,941)	-	-	5,941	-	-
Capitalized investment earnings	-	28	-	(28)	-	-
Repayment of long term debt	109	-	-	(109)	-	-
Endowments	-	90	-	(90)	-	-
Allocation to (from) internally restricted net assets (Note 14)	-	-	8,314	(8,314)	-	-
BALANCE, end of year	$ 84,445	11,975	13,713	14,720	124,853	117,266

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31
(thousands of dollars)

	2005	2004
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Excess of revenue over expense	$ 6,760	$ 8,063
Non-cash transactions		
Amortization of deferred capital contributions	(6,153)	(6,262)
Amortization of capital assets	12,064	11,557
Loss on disposal of capital assets	1,094	1
Unrealized loss on write-down of investments	55	85
Increase in long-term employee benefit liabilities	901	636
	14,721	14,080
Increase in non-cash working capital (Note 17)	3,765	267
	18,486	14,347
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES:		
Deposit on capital asset	-	41
Sale (purchase) of investments (net)	(3,565)	919
Capital asset additions		
Internally funded	(10,163)	(6,996)
Externally funded	(2,232)	(2,445)
Financed	-	(4,000)
Proceeds on disposal of capital assets	68	69
	(15,892)	(12,412)
Decrease in construction accounts payable	(161)	(209)
	(16,053)	(12,621)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:		
Capital contributions received	2,689	2,689
Endowment contributions received	409	123
Capitalized investment earnings	221	180
Long term debt proceeds	-	4,000
Long term debt repayments	(109)	-
	3,210	6,992
INCREASE IN CASH	5,643	8,718
CASH AND SHORT-TERM INVESTMENTS, beginning of year	12,553	3,835
CASH AND SHORT-TERM INVESTMENTS, end of year	$ 18,196	$ 12,553

NOTES TO THE FINANCIAL STATEMENTS

(thousands of dollars)

Note 1 **Authority and Purpose**

The University of Lethbridge (the "University") operates under the authority of the Post-Secondary Learning Act, Statutes of Alberta 2003, chapter P-19.5. The University is dedicated to quality undergraduate and graduate studies in the tradition of liberal education, research and public service. The University is a registered charity and is exempt from payment of income tax.

Note 2 **Summary of Significant Accounting Policies and Reporting Practices**

a) General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results.

b) Revenue Recognition

Operating grants are recognized when receivable. Revenues received for the provision by the University of goods and services are recognized in the period in which the goods are provided or the services rendered.

Deferred Contributions - Externally restricted non-capital and non-endowment contributions are deferred and are recognized as revenue in the period the conditions of the contributions are met.

Deferred Capital Contributions and Unamortized Deferred Capital Contributions - Contributions externally restricted for the acquisition of capital assets having limited lives are deferred and recorded as deferred capital contributions in the period in which they are received. Deferred capital contributions are transferred to unamortized deferred capital contributions when expended and are amortized to revenue over the useful lives of the related assets.

Endowments - Endowment contributions are recognized as direct increases in net assets in the period in which they are received.

c) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost or replacement cost.

d) Investments

Short-term investments are held at the lower of cost or market.

Investments are recorded at cost or amortized cost where applicable. Amortization of premiums or discounts is calculated on a straight-line basis from acquisition date to maturity. Capital gains or losses are recognized in the year of disposal or when there is other than a temporary decline in the value of the investment.

e) Capital Assets

Capital assets purchased by the University are recorded at cost. Donated assets are recorded at fair values when a fair value is reasonably determinable. Where a fair value is not reasonably determinable the assets are recorded at nominal value.

Capital assets, except construction projects which are amortized upon completion, are amortized on a straight-line basis over the assets' estimated useful lives. The estimated useful lives are as follows:

Land improvements	10-25 years	Computer equipment	3-5 years
Buildings – Exterior	40 years	Electrical equipment	20 years
Buildings – Interior	20 years	Software	3-5 years
Leasehold improvements	15 years	Vehicles	6 years
Furnishings and equipment	5-10 years	Learning resources	10 years

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

f) Collection

Collection assets purchased by the University are recorded at cost. Donated collection assets are recorded at fair values.

The collection consists of works of art which are held for educational and public exhibition purposes.

g) Pension and Other Employee Future Benefit Plans

The University participates in the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit plans that provide pensions for the University's participating employees based on years of service and earnings. Defined contribution plan accounting is applied to these pension plans as the University has insufficient information to apply defined benefit plan accounting. Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates that are expected to provide for benefits.

The actuarial determination of the accrued benefit obligations for other employee future benefits uses either the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors) or the accumulated benefit method where future salary levels or cost escalations do not affect the amount of employee future benefits.

Actuarial gains (losses) arise from experience different from that assumed or from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain (loss) over 10 percent of the benefit obligation is amortized over the average remaining service period of active employees. The average remaining service life of the active employees covered by the non-pension employee future benefit plans ranges from two to seven years.

h) Pledges Receivable

Pledges receivable are not recorded as assets in these financial statements.

i) Contributed Services

Volunteers, as well as members of the staff of the University, contribute an indeterminable number of hours per year to assist the institution in carrying out its mission of post secondary and graduate education, research and public service. Such contributed services are not recognized in the financial statements.

j) Financial Instruments

The carrying values of financial assets and financial liabilities approximate fair value unless otherwise disclosed.

k) Credit, Interest Rate and Market Risk

The University's accounts receivable are due from a diverse group of customers and are subject to normal credit risks.

The interest rate risk is the risk to the University's earnings that arises from the fluctuations in interest rates and the degree of volatility of these rates.

The market risk is the risk to the University's earnings that arises from the fluctuations and degree of volatility in the market value of its long term investments.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

l) Foreign Currency Translation

Monetary assets and liabilities of the University which are denominated in foreign currencies are translated at year-end exchange rates. Other assets and liabilities are translated at rates in effect at the date the assets were acquired and liabilities incurred. Revenue and expenses are translated at the rates of exchange in effect at their transaction dates. The resulting gains or losses are included in operations.

Note 3 Investments

	2005				2004			
	Carrying Value	Market Value	Realized Return	Market Return	Carrying Value	Market Value	Realized Return	Market Return
Cash and short term deposits	$ 4,689	$ 4,688	3.58%	2.90%	$ 4,488	$ 4,490	1.76%	0.28%
Bonds and debentures	18,695	19,855	4.30%	4.77%	18,737	20,212	6.05%	11.04%
Stocks	27,542	34,659	3.94%	10.82%	24,277	29,120	2.27%	24.10%
Other investments	399	399			313	313		
	$ 51,325	$ 59,601			$ 47,815	$ 54,135		

Realized return includes interest and dividend income and gains and losses incurred on disposal of investments. Market return includes both realized return and unrealized gains and losses on investments due to market fluctuations.

Foreign exchange losses of $1,337 were realized during the year (2004: $299). As of March 31 net unrealized exchange losses totalled $317 (2004: $1,920).

Bonds and debentures consists of the following:

	2005			2004		
	Carrying Value	Market Value	Effective Yield	Carrying Value	Market Value	Effective Yield
Short term (three years or less to maturity)	$ 255	$ 262	3.67%	$ 1,006	$ 1,043	1.99%
Medium term (four to ten years to maturity)	12,613	13,282	5.34%	12,464	13,452	5.58%
Long term (greater than ten years to maturity)	5,827	6,311	5.11%	5,267	5,717	5.81%
	$ 18,695	$ 19,855	5.40%	$ 18,737	$ 20,212	5.45%

The Board of Governors, through its Finance Committee, monitors the performance of the investment manager as well as compliance to the Investment Management Policy which includes benchmarks for performance and standards for quality, type and diversification of investments. The prime directive of the Committee is to protect the University's assets, provide a stream of income and maintain reasonable costs relating to managing the investments. An external consultant is appointed by the Committee to measure and report, on a quarterly basis, the investment portfolio's performance and the investment manager's compliance to the Policy.

Investments are managed by an investment manager. The investment portfolio consists of a balanced fund. The balanced fund policy mix standard is as follows:

Permissible assets	Policy Standard	Allowable Ranges
Short term/cash	5%	0% - 40%
Bonds	35%	25% - 70%
Canadian equities	30%	10% - 40%
U.S. equities	15%	10% - 50%
Global equities	15%	0% - 30%
	100%	

Bond investments must have a rating of BBB-plus or better and the short term portfolio must be rated at least R-1, mid (or equivalent) as per the Dominion Bond Rating Service.

Short term investments are held on average for less than one year and bonds are held on average less than four years. Bonds in the portfolio have maturity dates between two and twenty-six years.

Note 4 Interest in Joint Venture

The University has a one-third joint venture interest in Campus Alberta Applied Psychology: Counselling Initiative. Three Alberta universities formed the joint venture to develop and deliver a Collaborative Alberta Graduate Counselling Program.

The University's equity in the accumulated earnings of the joint venture at March 31, 2005 is $291 (2004 - $217) and is included in Other Investments (Note 3).

At March 31, 2005 the University's share of the joint venture's assets and liabilities are:

	2005	2004
Current assets [1]	$ 458	$ 411
Capital assets	4	8
	$ 462	$ 419
Current liabilities	$ 167	$ 194
Deferred capital contributions	3	7
Investment in capital assets	1	1
Joint venture interest	291	217
	$ 462	$ 419

[1] included in current assets is a receivable of $223 (2004 - $160) from the University of Lethbridge for operating funds that are being administered on behalf of the joint venture.

The University's share of joint venture earnings for the year ending March 31, 2005 is $132 which is one-third of the net of total revenues of $1,794 less total expenses of $1,398.

Note 5 Capital Assets

	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 638	$ -	$ 638	$ 638
Buildings and land improvements	176,396	60,993	115,403	119,172
Construction projects	2,656	-	2,656	200
Furnishings and equipment	50,966	36,788	14,178	13,977
Learning resources	23,313	16,607	6,706	6,425
	$ 253,969	$ 114,388	$ 139,581	$ 140,412

Construction projects include planning and construction costs for the Regional Health & Wellness Centre, Management & Health Sciences Building, Alberta Water & Environmental Sciences Building and Service Buildings replacement.

Capital asset additions during the year included $30 in donations in kind for learning resources (2004: $24).

Note 6 Collection

	2005	2004
Balance, beginning of year	$ 32,997	$ 32,905
Donations	197	92
Balance, end of year	$ 33,194	$ 32,997

The art collection contains approximately 14,000 objects.

NOTES TO THE FINANCIAL STATEMENTS

(thousands of dollars)

Note 7 Employee Benefit Liabilities

	2005	2004
Vacation and overtime pay	$ 3,366	$ 3,304
Maternity and parental leaves	143	144
Other payroll liabilities	425	198
Early retirement benefit plans	853	1257
Senior administrative leaves	3990	3428
Supplementary benefit plan	762	626
Long-term disability benefits	417	115
	9,956	9,072
Less current portion	(4,411)	(4,428)
	$ 5,545	$ 4,644

Note 8 Pension and Other Employee Future Benefit Plans

The University has a number of defined benefit plans that provide pension, other retirement and post-employment benefits to most of its employees. These include the Early Retirement Plan, the Senior Administrative Leave Plan, Long-term Disability Plans and pension plans. In addition, the University provides a supplementary benefit plan to some employees, which is accounted for as a defined contribution plan.

The Early Retirement Plan pays a fixed amount annually based on the salary and benefits in effect for each member at the date of retirement. This plan is closed to new members and no future service benefits are being accrued.

The Senior Administrative Leave Plan provides for certain senior administrators to accrue an entitlement to a leave of absence, for the purpose of professional development, at the end of their service in an administrative position. Upon leaving the post, the member's salary and benefits in effect at the end of the service are paid for the duration of the leave and are indexed at a rate determined by the University.

The Long-Term Disability Plans provide pension and non-pension benefits after employment, but before retirement. The University pays for the non-insured portion of the disability benefits.

The Supplementary Benefit Plan provides a termination benefit to certain employees over and above the benefits provided by the Universities Academic Pension Plan. The University contributes annually to the Supplementary Benefit Plan based on the employee's salary. Each employee's account is also adjusted annually by the realized rate of return on the University's long-term investments.

a) Benefit Plans

The University measures its accrued benefit obligations for accounting purposes as at March 31 of each year. The most recent actuarial valuation of the employee future benefit plans was performed as of March 31, 2005.

The benefit plan obligations are as follows:

	Supplementary Benefit Plan	Early Retirement Plan	Senior Administrative Leave	Long Term Disability Plan
Accrued benefit obligation:				
Balance, beginning of year	$ 626	$ 1,257	$ 3,428	$ 115
Current service cost	168	-	682	340
Interest cost	33	24	126	10
Benefits paid	(65)	(428)	(246)	(48)
Actuarial loss (gain)	(67)	(3)	6	45
Balance, end of year	695	850	3,996	462
Plan assets	-	-	-	-
Funded status - plan deficit	695	850	3,996	462
Unamortized net actuarial gain (loss)	67	3	(6)	(45)
Accrued benefit liability	$ 762	$ 853	$ 3,990	$ 417

Note 8 Pension and Other Employee Future Benefit Plans (continued)

Total cash payments for employee future benefits for 2005, consisting of cash payments directly to beneficiaries and cash contributed to its multi-employer defined benefit plans, were $5,146 (2004 - $4,894).

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligations are as follows:

	Supplementary Benefit Plan	Early Retirement Plan	Senior Administrative Leave	Long-Term Disability Plan
Discount rate	n/a	3.50%	3.50%	3.50%
Rate of compensation increase:				
year 1, thereafter	n/a	n/a	7.25%, 6.00%	n/a
Assumed benefit cost trend rates:				
Pension contributions (year 1, thereafter)	n/a	n/a	n/a	6.25%, 5.00%
Benefits	n/a	n/a	4.50%	4.50%
Average remaining service period of active employees	6 years	2 years	7 years	5 years

b) Pension plans

The University participates in the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees, based on years of service and earnings. The pension expense recorded in these financial statements is equivalent to the University's annual contributions payable of $4,359 for the year ended March 31, 2005 (2004 - $3,442) including UAPP contributions of $3,542 (2004 - $2,757) and PSPP contributions of $817 (2004 - $685).

At December 31, 2004, the Universities Academic Pension Plan reported an actuarial deficiency of $643,979 (2003 - $538,352) consisting of a pre-1992 deficiency ($517,900) and a post-1991 deficiency ($126,079). An actuarial valuation of the UAPP was carried out as at December 31, 2004. The unfunded liability for service prior to January 1, 1992 is being financed by additional contributions of 1.25% (2003 - 1.25%) of salaries by the Province of Alberta with employees and employers equally sharing the balance of the contributions of 1.76% (2003 – 1.76%) of salaries required to eliminate the unfunded liability on or before December 31, 2043. On July 1, 2005 this rate will rise to 2.28%. The actuarial valuation shows that the present value at December 31, 2004 of the Province of Alberta's obligation for the future additional contributions was $183,400. Effective January 1, 2004, the unfunded liability for service after December 31, 1991 is being financed by special payments of 1.26% of salaries shared equally between employees and employers over 15 years from the date of valuation until December 31, 2017. These special payments will rise to 2.64% of salaries on July 1, 2005.

At December 31, 2004, the Public Service Pension Plan reported an actuarial deficiency of $450,068 (2003 - restated to $584,213). An actuarial valuation of the Public Service Pension Plan was performed as of December 31, 2002 and was extrapolated to December 31, 2004. An actuarial valuation is being performed as at December 31, 2004 and the actuary has indicated that there will likely be a contribution rate increase effective January, 2006.

NOTES TO THE FINANCIAL STATEMENTS

(thousands of dollars)

Note 9 Deferred Contributions

Deferred contributions represent contributions received for restricted purposes that remain unspent at March 31. Changes in the deferred contributions balance are as follows:

	2005	2004
Balance, beginning of year	$ 10,726	$ 10,058
Contributions received	14,806	10,971
Transfer to:		
Revenue	(10,234)	(8,253)
Deferred Capital Contributions (Note 11)	(1,455)	(2,050)
Balance, end of year	$ 13,843	$ 10,726

The deferred contributions balance consists of:

	2005	2004
Infrastructure Maintenance Program	$ 4,816	$ 3,716
Sponsored Research	5,676	4,304
Special Purpose	929	698
Scholarships, Bursaries and Other Trust Funds	2,422	2,008
	$ 13,843	$ 10,726

Note 10 Long Term Debt

	Rate of Interest	Original Advance	Amount Outstanding 2005	Amount Outstanding 2004
Alberta Capital Finance Authority debenture for student residences, due April 15, 2023	6%	4,000	$ 3,891	$ 4,000
Current portion			(115)	$ (109)
			$ 3,776	$ 3,891

The debenture is secured by cash flows generated from the new residences and the Aperture Park and University Hall residences.

Interest on the debenture of $233 was charged to expense in fiscal 2005 (2004 - $231).

Principal payments on the debenture over the next five fiscal years are as follows: 2006 - $115; 2007 - $122; 2008 - $130; 2009 - $137; 2010 - $146.

Note 11 Deferred Capital Contributions

Deferred capital contributions represent capital funds received from external sources for specific purposes that remain unspent at March 31. Changes in the deferred capital contributions balance are as follows:

	2005	2004
Balance, beginning of year	$ 1,282	$ 1,038
Contributions received	1,234	682
Transfers from (to):		
Revenue	-	(43)
Deferred Contributions (Note 9)	1,455	2,050
Unamortized Deferred Capital Contributions (Note 12)	(2,232)	(2,445)
Balance, end of year	$ 1,739	$ 1,282

The deferred capital contributions balance includes donations and grants received for capital projects including the Regional Health & Wellness Centre, Management & Health Sciences Building, Alberta Water & Environmental Sciences Building and the Service Buildings replacement.

Note 12 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the externally funded portion of capital assets that will be recognized as revenue in future periods. Changes in unamortized deferred capital contributions are as follows:

	2005	2004
Balance, beginning of year	$ 88,358	$ 92,175
Transfer from (to)		
Deferred Capital Contributions (Note 11)	2,232	2,445
Revenue		
Amortization of deferred capital contributions	(6,124)	(6,258)
Capital asset disposals (net)	(29)	(4)
Balance, end of year	$ 84,437	$ 88,358

Note 13 Endowments

	2005			2004		
	Externally Restricted	Internally Restricted	Total	Externally Restricted	Internally Restricted	Total
Contributions	$ 8,666	$ 1,252	$ 9,918	$ 8,258	$ 1,162	$ 9,420
Capitalized investment income	1,915	142	2,057	1,693	114	1,807
	$ 10,581	$ 1,394	$ 11,975	$ 9,951	$ 1,276	$ 11,227

Endowments consist of restricted donations to the University, the principal of which is required to be maintained intact in perpetuity (externally restricted), and internal allocations by the Board of Governors (internally restricted). The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. The economic value of endowments is protected through allocations of investment income earned to reflect changes in purchasing power of the endowment principal. Investment income earned in excess of this amount is available for spending. Under Section 76(2) of the Post-Secondary Learning Act, the University has the authority to alter the terms and conditions of an endowment to enable income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.

Note 14 Internally Restricted Net Assets

Internally restricted net assets represent amounts set aside by the Board of Governors for specific needs such as one-time expenditures for increasing efficiency, reducing costs or providing for contingencies.

	2005	2004
OPERATING:		
Staff training and development	$ 42	$ 84
Academic development	176	43
Campus planning studies	160	160
International affairs	6	6
Utilities contingency - rate increases	50	50
Program development	228	200
	662	543
CAPITAL:		
Capital replacement - Ancillary Services	1,603	1,449
Capital replacement - Sports & Recreation Services	315	285
Housing Services - residences	1,074	1,044
Capital equipment	1,246	983
Buildings and plant (1)	8,198	276
Site and utilities	59	48
Utility conservation	264	258
Self insurance	189	184
Parking services	-	225
Service vehicles and equipment	103	104
	13,051	4,856
	$ 13,713	$ 5,399

(1) The Board of Governors set aside $5,525 as contribution towards the construction of a Regional Health and Wellness Centre and the remaining $2,673 was set aside to fund other capital projects.

Note 15 Investment Income

	2005	2004
Investment income earned in the year	$ 2,370	$ 2,163
Income capitalized to endowment principal	(221)	(180)
Amounts deferred in period	(65)	(233)
	$ 2,084	$ 1,750
Amounts previously deferred and recognized in year	311	190
Total investment income recognized as revenue	$ 2,395	$ 1,940

Note 16 Salaries and Employee Benefits

A Treasury Board Directive under the Financial Administration Act of the Province of Alberta requires the disclosure of certain salary and employee benefit information.

	2005				Restated 2004
	Base Salary [1]	Other Cash Benefits [2]	Other Non-Cash Benefits [3]	Total	Total
Chairman of Board [4]	$ -	$ -		$ -	$ -
Board Members [4]	-	-		-	-
President	242	30	69	341	294
Executive/Vice Presidents					
Vice-President (Academic)	219	12	53	284	259
Vice-President (Finance & Administration)	179	-	42	221	200
Dean of Management [5]	164	-	27	191	189
Associate Vice-President (Academic) & Dean of Graduate Studies	172	-	30	202	186
Administrative leave benefit [6]					
President				56	53
Vice-President (Academic)				51	50
Vice-President (Finance & Administration)				43	40
Dean of Management [5]				38	38
Associate Vice-President (Academic) & Dean of Graduate Studies				39	38

(1) Salary includes pensionable base pay.

(2) Housing allowance

(3) Other non-cash benefits include employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, extended health benefits, group life insurance, long term disability plans, professional memberships, supplementary benefit plan and professional supplement allowance.

(4) The Chairman and members of the Board of Governors receive no remuneration for participation on the Board.

(5) Two individuals held the position in the prior year.

(6) Leaves are accrued for senior administrators at a rate of one month for every five months served. If the leave is granted, all salaries and benefits excluding any housing allowances are paid on a monthly basis over the duration of the leave. Cash payments in lieu of administrative leave are not permitted, nor is it possible under Board policy to work for another institution or organization while on leave. Normally, administrative leave is taken immediately after leaving office.

The administrative leave benefit reflects the current service cost of the benefit, stated at the notional value. The 2004 benefit has been restated to conform to this presentation.

Note 17 Change in Non-Cash Working Capital

	2005	2004
Accounts receivable	$ (1,430)	$ (425)
Inventories	65	(26)
Prepaid expenses	(19)	(204)
Accounts payable and accrued liabilities	1,296	28
Employee benefit liabilities	(17)	(263)
Deferred revenue	272	92
Deferred tuition fees	481	397
Deferred contributions	3,117	668
Increase in non-cash working capital	$ 3,765	$ 267

Note 18 Budget

The University is required to submit a budget, approved by the Board of Governors of the University, to the Minister of Advanced Education. The 2004/05 budget was approved by the Board on March 24, 2004.

	2005		2004	
	Original Budget	Total Actual	Original Budget	Total Actual
REVENUE				
Grants	$59,224	$ 67,093	$ 54,689	$ 62,659
Tuition and related fees	31,204	33,743	28,155	30,183
Sales of services and products	10,287	9,398	6,696	8,095
Miscellaneous	1,330	3,195	761	2,960
Investment income	2,590	2,395	2,348	1,940
Gifts and donations	500	663	1,000	307
Amortization of deferred capital contributions	10,305	6,153	6,668	6,262
	115,440	122,640	100,317	112,406
EXPENSE				
Salaries and benefits	75,429	76,720	63,520	68,662
Scholarships, fellowships and bursaries	1,876	2,982	1,263	2,586
Supplies and services	8,109	7,618	6,277	6,645
Cost of goods sold	2,920	2,888	2,831	2,759
Travel	2,194	3,080	1,891	2,801
Utilities	3,834	3,046	3,821	3,022
External contracted services	2,925	2,683	1,939	2,199
Repairs and maintenance	1,433	1,796	2,654	2,242
Professional fees	446	839	327	600
Interest on long term liabilities	710	429	653	687
Insurance	326	367	241	298
Property taxes	226	219	181	199
Loss on disposal of capital assts	-	1,094	-	1
Unrealized loss on investments	-	55	-	85
Amortization of capital assets	11,394	12,064	8,408	11,557
Provisions	2,676	-	5,961	-
	114,498	115,880	99,967	104,343
EXCESS OF REVENUE OVER EXPENSE	$ 942	$ 6,760	$ 350	$ 8,063

The original budget includes general departmental provisions which are subject to reallocation by departments throughout the year. These contingency budgets are used primarily for salaries, benefits and capital purchases. Actual expenses are recorded in the appropriate expense categories and are not charged to the provisions budget.

Note 19 Related Party Transactions

The University of Lethbridge is a Provincial Corporation as all members of the Board of Governors are appointed either by statute or by a combination of orders by the Lieutenant Governor in Council and the Minister of Advanced Education. Transactions between the University and the Province of Alberta are disclosed as follows:

	2005			2004
	Unrestricted	Restricted	Total	Total
Advanced Education:				
Operating grant	$ 48,095	$ -	$ 48,095	$ 46,668
Access grants	7,729	-	7,729	6,388
Performance funding	604	-	604	487
Other	130	175	305	100
Total Advanced Education	56,558	175	56,733	53,643
Other provincial ministries, departments and agencies:				
Alberta Infrastructure and Transportation	-	2,273	2,273	1,355
Alberta Ingenuity	-	982	982	244
Alberta Heritage Foundation for Medical Research	-	915	915	987
Alberta Innovation and Science	2	429	431	909
Alberta Children's Services	-	128	128	-
Alberta Gaming	305	98	403	543
Other	-	51	51	94
Total other provincial ministries, departments and agencies	307	4,876	5,183	4,132
Total contributions received	56,865	5,051	61,916	57,775
Less: Deferred contributions	-	(1,778)	(1,778)	(1,344)
Revenue from provincial government	$ 56,865	$ 3,273	$ 60,138	$ 56,431

Restricted grants are recognized as revenue in the period the conditions of the contributions are met.

The University of Lethbridge has accounts receivable from the Province of Alberta of $809 (2004 - $1,244) and accounts payable of $138 (2004 - $0).

In 2005 and 2004 the University participated in offering certain courses with other public colleges, universities and institutes. The revenues and expenses incurred for these courses have been included in the statement of operations but have not been separately disclosed.

The University has an arrangement with Athabasca University and University of Calgary to offer a graduate program in Counselling. These transactions were entered into on the same business terms as with non-related parties and are recorded at their fair value amounts. The University's share of revenue and expenses have been recorded using the equity method of accounting (Note 4).

Note 20 Pledges Receivable

As of March 31, 2005 the estimated realizable value of pledges is $4,190 in support of the following campaigns:

Management & Health Sciences Building	$	3,154
Scholarships		801
Other		217
Regional Health & Wellness Centre		18
	$	4,190

Note 21 Scholarships and Bursaries

Included in these financial statements are scholarships totalling $1,055 (2004 - $1,094) awarded to 1,184 students (2004 - 1,345) from University of Lethbridge scholarship accounts.

Scholarships and bursaries totalling $2,284 (2004 - $1,851) were awarded to 1,577 (2004 - 1,222) University of Lethbridge students through the Alberta Scholarship Program. These amounts are not included in the financial statements.

Note 22 Commitments and Contingencies

a) The University, in the conduct of its normal activities, is a defendant in a number of legal proceedings. While the ultimate outcome of these proceedings cannot be predicted at this time, it is the opinion of administration and the University's legal counsel that adequate provision for these proceedings has been made in the University's accounts. It is believed that the resolution of the proceedings will not have a material effect on the financial position of the University, however, should any additional loss result from the resolution of these proceedings, such amounts would be expensed as the related amounts become known to the University.

b) The University is one of fifty-six members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability and errors and omissions risks of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through members' premiums. As at December 31, 2004 CURIE had a surplus of $5,995 (2003 - $100). This surplus is an accumulation of four different underwriting periods. The University participates in three of these underwriting periods, which have an accumulated surplus of $3,262 as of December 31, 2004 (2003 - $2,492 deficit). The University held a 1.0% share in CURIE at December 31, 2004.

c) The University has a ten-year lease on teaching facilities used in Edmonton, expiring in October 2007 with an option to terminate upon six months' notice plus six months' basic rent and occupancy costs based on a proportionate share of total building costs. In fiscal 2005 and 2004 basic rent totalled $90. In 2005 occupancy costs were $100 (2004 - $97). The University also has a lease agreement with the Southern Alberta Institute of Technology for a two-year period expiring June 2005. At the year end, this contract was under negotiation. Office and administrative rental charges under this lease are $16 annually while classrooms are leased at an hourly rate. The cost of office and administration space in 2005 was $16 (2004: $13) and the cost of classroom space totalled $76 (2004: $59).

d) The University uses contracts in order to manage its exposure to the volatility in the electrical industry. The current contract fixing its electrical cost at an average cost of $0.115 per KWh expires December 31, 2005. The University has entered into a new five-year contract starting January 1, 2006 to fix the cost at an average price of $.055 per KWh. The total cost for the year ending March 31, 2006 is expected to be $1,957. The cost of electricity included in these statements for fiscal 2005 is $2,148 (2004: $2,142).

Subsequent to the year end, the University entered into a contract for green power supply for the Regional Health and Wellness Centre to provide 850,000 KWh of power annually for a ten-year period commencing June 1, 2006. The price will be fixed at $0.06 per KWh.

e) On April 22, 2005 the Board of Governors approved a project to construct a Regional Health and Wellness Centre and to renovate and upgrade the existing Physical Education Building at a cost of $31,000. The proposed project, scheduled for completion in 2007, is to be funded by the City of Lethbridge ($5,300), fundraising ($5,000), other external sources ($345) and University contributions ($20,355). The University's contribution to the project will be funded from the current and future years' internally restricted and unrestricted net assets as well as grants from Alberta Infrastructure and Transportation related to the Infrastructure Maintenance Program.

As at March 31, 2005, the University had contractual commitments totalling $2,624 (2004 - $2,326) related to various capital projects including the Regional Health and Wellness Centre. These commitments are not recorded in the financial statements.

f) Under agreements and/or contracts with a number of employee groups, the University provides Professional Supplement funds for activities related to teaching, research, professional development or general University-related duties. At March 31, 2005 approximately $827 (2004 - $755) of such allowances is committed for expenses not yet incurred.

NOTES TO THE FINANCIAL STATEMENTS

(thousands of dollars)

Note 23 Deferred Maintenance

Deferred maintenance on University facilities is estimated at $82,000 based on a facility condition audit completed by the University in January 2005. An allowance for deferred maintenance is not included in these financial statements.

Note 24 Comparative Figures

Certain 2004 figures have been reclassified to conform to 2005 financial statement presentation.

Note 25 Approval of Financial Statements

These financial statements have been approved by the Board of Governors following the recommendation of the Audit Committee.

THE BANFF CENTRE FOR CONTINUING EDUCATION

Financial Statements

For the year ended March 31, 2005

Auditor's Report

Financial Statements:

- Balance Sheet
- Statement of Operations and Changes in Net Assets
- Statement of Cash Flows
- Notes to the Financial Statements

Deloitte

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Auditors' Report

To **The Board of Governors of**
The Banff Centre for Continuing Education:

We have audited the balance sheets of **The Banff Centre for Continuing Education** as at March 31, 2005 and 2004 and the statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Calgary, Alberta
May 27, 2005

Member of
Deloitte Touche Tohmatsu

THE BANFF CENTRE FOR CONTINUING EDUCATION

Balance Sheet

As at March 31, 2005

(in thousands of dollars)

	As at March 31, 2005	As at March 31, 2004
Assets		
Current assets:		
Cash	$ 1,471	$ 1,296
Short-term investments (Note 6)	1,023	223
Accounts receivable (Note 3)	3,572	1,907
Inventories	422	426
Prepaid expenses	142	215
	6,630	4,067
Long-term pledges receivable (Note 4)	631	313
Note receivable (Note 5)	499	494
Long-term investments (Note 6)		
Endowments	6,996	6,543
Capital assets (Note 7)	50,911	50,106
	$ 65,667	$ 61,523
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 2,534	$ 2,012
Accrued vacation pay	1,147	1,084
Unearned revenue (Note 8)	1,981	1,438
Deferred contributions (Note 9)	1,918	2,016
Long-term debt due within one year (Note 10)	3,196	3,519
	10,776	[illegible]9
Deferred contributions (Note 9)	2,676	1,530
Long-term debt (Note 10)	-	8
Deferred expended capital contributions (Note 11)	33,888	33,748
	47,340	45,355
Net assets		
Operating net assets (Note 12)	11,331	9,625
Endowments (Notes 6 & 13)	6,996	6,543
	18,327	16,168
	$ 65,667	$ 61,523

The accompanying notes are part of these financial statements.

THE BANFF CENTRE FOR CONTINUING EDUCATION

Statement of Operations and Changes in Net Assets

For the year ended March 31, 2005

(in thousands of dollars)

	Year Ended March 31, 2005	Year Ended March 31, 2004
Revenues		
Accommodation	$ 14,150	$ 13,282
Grants (Note 9 and 15)	14,736	14,322
Sales, rentals and services	6,917	6,967
Tuition and related fees	5,320	4,968
Donations and other contributions	2,846	2,643
Investment income	43	68
Amortization of deferred expended capital contributions (Note 11)	1,520	1,499
	45,532	43,749
Expenses		
Salaries, wages and benefits (Note 16)	23,432	22,688
Purchased services	2,408	2,980
Travel and related	1,529	1,355
Scholarships and financial assistance	3,805	3,710
Facility operating	1,925	1,686
Utilities	1,697	1,678
Supplies and materials	4,190	4,053
Vehicles and equipment	1,176	1,217
Marketing and promotion	668	601
Financial costs	688	654
Amortization of capital assets	2,304	2,182
(Gain)/Loss on disposal of capital assets	4	(694)
	43,826	42,110
Net income	1,706	1,639
Net assets at beginning of year	16,168	14,184
Endowment contributions (Note 13)	309	173
Endowment - indexed gain (Note 13)	144	172
Net assets at end of year	$ 18,327	$ 16,168

The accompanying notes are part of these financial statements.

THE BANFF CENTRE FOR CONTINUING EDUCATION
Statement of Cash Flows
For the year ended March 31, 2005
(in thousands of dollars)

	Year Ended March 31, 2005	Year Ended March 31, 2004
Cash flows from (used in) operating activities		
Net income	$ 1,706	$ 1,639
Non-cash transactions:		
Amortization of deferred expended capital contributions	(1,520)	(1,499)
Amortization and (gain)/loss on disposal of capital assets	2,308	1,488
Other	(5)	(21)
Changes in non-cash working capital (Note 14)	(225)	554
Changes in pledges receivable (Note 4)	(553)	(485)
Changes in deferred contributions related to operations (Note 9)	311	594
Net cash from (used in) operating activities	2,022	2,270
Cash flows from (used in) investing activities		
Acquisition of capital assets (Notes 11 & 12)	(3,125)	(4,036)
Proceeds from sale of capital assets		771
Disposition/(acquisition) of short-term investments	(800)	1,184
Disposition/(acquisition) of long-term investments	(309)	17
Net cash from (used in) investing activities	(4,234)	(2,064)
Cash flows from (used in) financing activities		
Capital contributions received (Note 9)	2,409	913
Principal repayments of long-term debt (Note 12)	(331)	(430)
Endowment contributions received (Note 13)	309	173
Net cash from (used in) financing activities	2,387	656
Increase in cash	175	862
Cash at beginning of year	1,296	434
Cash at end of year	$ 1,471	$ 1,296

The accompanying notes are part of these financial statements.

Note 1 Authority and purpose

The Banff Centre for Continuing Education (the "Centre") operates under the authority of the Post-Secondary Learning Act, 2003, Chapter P-19.5. The Centre is a registered charity and is exempt, under Section 149 of the Income Tax Act, from payment of income tax.

The Centre provides public access to a broad range of learning and professional development experiences with emphasis on the arts, leadership development, and the exploration of issues related to mountain culture and the environment.

Note 2 Significant accounting policies and reporting practices

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and the following significant accounting policies and reporting practices:

(a) Revenue Recognition

The Centre follows the deferral method of accounting for contributions.

Operating grants are recognized as revenue in the period when receivable. Operating grants received for a future period are deferred until that future period.

Amounts received for tuition fees and sales of goods and services are classified as unearned and recognized as revenue at the time the goods are delivered or the services are provided.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for the purposes designated by external parties.

Any externally restricted contributions containing stipulations that the amounts and related earnings should be retained as net assets or that the contributions should not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to deferred expended capital contributions. Deferred expended capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and capital contributions revenue are matched to indicate that the related amortization expense has been funded externally.

Unrestricted contributions are recognized as revenue when received.

Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

(b) Scholarships and Financial Assistance

Scholarships and financial assistance include payments to resident artists and other participants for tuition fees, accommodation and other financial aid.

(c) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost and replacement value.

(d) Pledges Receivable

Pledges receivable are recorded as assets when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

(e) Long-term Investments

Long-term investments are recorded at cost. Gains and losses on investments are recognized at liquidation, or when there is a permanent impairment in the value of an investment.

(f) Capital Assets

Capital assets are recorded at cost, except donated assets, which are recorded at fair value. Capital assets, except property under development and artwork collection, are amortized on a straight-line basis over the estimated useful lives of the assets as follows:

Land improvements	20 years
Buildings and improvements	50 years
Furnishings and equipment	10 years
Technical equipment	5 years

The useful lives have been estimated by management and will inevitably differ from actual, perhaps significantly, resulting in amortization expense not matching utilization over the assets' lives. No amortization expense is recorded in the year of acquisition.

Artworks are recorded at cost if purchased or at the appraised value at the time of donation. Artworks are not amortized. The artwork collection is made up of numerous pieces of art that are held for display in the Walter Phillips Gallery and other public areas of the Centre.

(g) Employee Future Benefits

The Centre's pension plans are multiemployer plans and are accounted for using the defined contribution method. Under this method contributions made during the period are charged as pension expense to current operations and included in salaries, wages and benefits.

(h) Use of Estimates

These financial statements are prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Note 3 Accounts receivable

	March 31, 2005	March 31, 2004
Trade accounts receivable	$ 1,658	$ 161
Other amounts due	203	171
Deferred scholarships	1,254	1,353
	3,115	1,685
Current portion of pledges receivable (Note 4)	457	222
	$ 3,572	$ 1,907

Note 4 Long-term pledges receivable

	March 31, 2005	March 31, 2004
Non-capital pledges	$ 1,088	$ 535
Less: Current portion of pledges receivable (Note 3)	(457)	(222)
	$ 631	$ 313

Note 5 Note receivable

During 2001, the Centre advanced $473,000 to Rocky Mountain Housing Cooperative. The amount plus interest at prime minus 3% is repayable in 2019 and is unsecured. As part of this transaction the Centre agreed to lease 12 accommodation units until 2019. This lease commitment of $3,278,000 is included in the schedule of lease commitments in Note 10.

Note 6 Investments

(a) Short-term

Short-term investments comprise Money Market Mutual Funds and Treasury Bill Funds the market value of which approximates the carrying value represented on the financial statements.

(b) Long-term

(i) Endowments

	March 31, 2005		March 31, 2004	
	Cost	Market Value	Cost	Market Value
Cash & S.T. Investments	$ 378	$ 378	$ 420	$ 420
Government debt	2,237	2,266	1,645	1,671
Corporate debt	1,140	1,162	1,037	1,067
Equities	3,410	4,008	3,441	3,910
	$ 7,165	$ 7,814	$ 6,543	$ 7,068
Less: Endowment earnings receivable (Note 3 and Note 13)	(169)		-	
	$ 6,996		$ 6,543	

Note 7 Capital assets

	March 31, 2005			March 31, 2004		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land improvements	$ 2,703	$ 2,111	$ 592	$ 2,703	$ 2,032	$ 671
Buildings and improvements	73,930	29,719	44,211	72,505	28,284	44,221
Furnishings and equipment	22,321	17,740	4,581	20,814	17,143	3,671
Equipment under capital lease	28	6	22	503	98	405
Artwork collection	1,164	-	1,164	1,138	-	1,138
Property under construction	341	-	341	-	-	-
	$ 100,487	$ 49,576	$ 50,911	$ 97,663	$ 47,557	$ 50,106

Land is leased from the Government of Canada. The current lease expires on July 31, 2043, and is renewable.

Note 8 Unearned revenue

	March 31, 2005	March 31, 2004
Accommodation deposits	$ 1,346	$ 490
Other sales and services	635	948
	$ 1,981	$ 1,438

Note 9 Deferred contributions

	March 31, 2005	March 31, 2004
Deferred contributions at beginning of year	$ 3,546	$ 3,102
Contributions received:		
Capital	2,409	913
Operating	17,791	17,455
Endowment income capitalized (Note 13)	144	172
Transferred to operations		
Grants (Note 15)	(14,736)	(14,322)
Donations and other contributions	(2,846)	(2,643)
Financial income	(43)	(68)
Transferred to deferred expended capital contributions (Note 11)	(1,671)	(1,063)
Deferred contributions at end of year	$ 4,594	$ 3,546
Deferred contributions are comprised of:		
Capital	$ 2,045	$ 1,308
Non-capital	2,549	2,238
	4,594	3,546
Less: Current portion of non-capital deferred contributions	1,918	2,016
	$ 2,676	$ 1,530

Note 10 Long-term debt and commitments

	March 31, 2005	March 31, 2004
Term Loan - Professional Development Centre	$ 3,188	$ 3,463
Capital Leases	8	64
	$ 3,196	$ 3,527
Less: Current portion	3,196	3,519
	$ -	$ 8

Future minimum repayments are as follows:

Year Ending March 31	Professional Development Centre	Capital Leases		Operating Leases
		Principal	Interest	
2006	$ 3,188	$ 8	$ 1	$ 903
2007	-	-	-	774
2008	-	-	-	648
2009	-	-	-	372
2010 to 2020	-	-	-	2,488
	$ 3,188	$ 8	$ 1	$ 5,185

The term loan is unsecured and is structured with fixed rate principal repayment of $275,000 per annum until the renewal date on December 17, 2005 at an interest rate of 4.15%. Under certain circumstances, the lender has the right to demand an immediate repayment. Accordingly, all amounts outstanding under this loan have been classified as a current liability in accordance with standards set by the Canadian Institute of Chartered Accountants.

The interest expense on long-term debt for the year ended March 31, 2005 was $142,400 (year ended March 31, 2004 - $167,500). Interest expense approximates interest paid for both years presented.

The capital lease is for a trunk tip/ring maturing February 18, 2006. It is at an interest rate of 4.13%.

At March 31, 2005, the Centre has supply arrangements with an electrical utility company for its electrical power needs in Alberta. The terms of the agreement stipulate a rate of approximately $.084/kwh and expire December 31, 2005.

On July 27, 2004, the Centre entered into a new long-term supply arrangement with an electrical utility company for its electrical power needs for the term January 1, 2006 to January 1, 2011 at a rate of $.0469/kwh.

In April 2005, the Centre advanced a further $200,000 to Rocky Mountain Housing Cooperative. As part of this transaction, the Centre is negotiating the lease of an additional 30 accommodation units.

Note 11 Deferred expended capital contributions

	March 31, 2005	March 31, 2004
Deferred expended capital contributions at beginning of year	$ 33,748	$ 34,184
Transferred from deferred contributions to acquire capital assets (Note 9)	1,671	1,063
Loss on disposal of capital assets	(11)	-
Transferred to revenue	(1,520)	(1,499)
Deferred expended capital contributions at end of year	$ 33,888	$ 33,748

Note 12 Operating Net Assets

	Unrestricted	Investment in Capital Assets	March 31, 2005	March 31, 2004
Operating net assets at beginning of year	$ (3,207)	$ 12,832	$ 9,625	$ 7,986
Net income	1,706	-	1,706	1,639
Internally funded:				
Capital acquisitions	(1,454)	1,454	-	-
Amortization and gain on disposal of capital assets	796	(796)	-	-
Repayment of long-term debt	(331)	331	-	-
Operating net assets at end of year	$ (2,490)	$ 13,821	$ 11,331	$ 9,625

Note 13 Endowments

	March 31, 2005	March 31, 2004
Endowment book value at end of year before transfers for scholarships, awards and other support	$ 7,165	$ 6,543
Less endowment book value at beginning of year	(6,543)	(6,198)
Net change in book value	622	345
Less contributions	(309)	(173)
Gross earnings	313	172
Income capitalized (Note 9)	(144)	(172)
Endowment earnings receivable (Note 6)	$ 169	$ -
Transferred for:		
Scholarships	$ 107	$ -
Awards	5	-
Other suppon	57	-
	$ 169	$ -
Endowment book value at end of year after transfers for scholarships, awards and other support (Note 6)	$ 6,996	$ 6,543

Note 14 Changes in non-cash working capital

	Year Ended March 31, 2005	Year Ended March 31, 2004
Accounts receivable (excluding pledges)	$ (1,430)	$ (43)
Inventories	4	32
Prepaid expenses	73	(24)
Accounts payable	522	(196)
Accrued vacation pay	63	30
Unearned revenue	543	755
	$ (225)	$ 554

Note 15 Grants

	Year Ended March 31, 2005	Year Ended March 31, 2004
Base Operating Grant: Province of Alberta / Learning	$ 11,368	$ 11,154
Other grants:		
Province of Alberta		
Advanced Education	11	76
Innovation and Science	50	39
Community Development	110	145
Government of Canada / Canadian Heritage		
National Arts Training Contribution Program	1,580	1,548
Canadian Culture On-Line Program	444	496
Arts Presentation Canada Program	100	100
Museum Assistance Program	84	15
Urban Multipurpose Aboriginal Youth Centre Initiative	15	-
Book Publishing Industry Development Program	10	-
Other Government of Canada	964	749
	3,368	3,168
	$ 14,736	$ 14,322

Note 16 Salaries, wages and benefits

	Year Ended March 31, 2005	Year Ended March 31, 2004
Pension contributions included in salaries, wages and benefits	$ 1,015	$ 861

Note 17 Salary Disclosure

In accordance with The Treasury Board's Salary and Benefits Disclosure Directive, the salaries and benefits of the Centre's senior decision-making management are disclosed as follows:

	Year Ended March 31, 2005			Year Ended March 31, 2004
	Salaries (1)	Benefits and Allowances (2)	Total	Total
Board of Governors (3)	$ -	$ -	$ -	$ -
President (4)	224	24	248	231
Vice-Presidents				
Programming (5)	137	9	146	163
CFO	160	20	180	162
Hospitality Operations	143	14	157	140
Mountain Culture	110	12	122	122
	$ 774	$ 79	$ 853	$ 818

(1) Salaries include regular base pay and any other direct cash remuneration.

(2) Benefits and allowances include the Centre's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision care, out of country medical benefits, group life insurance, accidental disability and dismemberment, short and long-term disability plans, professional and club memberships, and tuition. Benefits for the President and the Vice-President and CFO include the taxable benefit for the use of Banff Centre-owned residences.

(3) The Chair and members of the Board of Governors receive no remuneration for the services that they provide to the Centre.

(4) Benefits reported for the President do not include personal use of a vehicle leased by the Centre.

(5) More than one individual held the position in the year ending March 31, 2005.

Note 18 Financial Instruments

Financial instruments are comprised of cash, short-term investments, accounts receivable, note receivable, long-term pledges receivable, accounts payable, accrued vacation pay, and long-term debt including obligations under capital leases. The carrying amounts of cash, short-term investments, accounts receivable and accounts payable approximate fair value due to their short-term maturity. The carrying value of the note receivable subject to a floating rate of interest also approximates fair value. In management's opinion the debt obligations subject to fixed rates of interest do not differ significantly from their carrying values, as the Centre would only be able to refinance these obligations under similar terms and conditions as currently exist.

Credit risk - The Centre's accounts receivable and long-term pledges receivable are subject to credit risk due to the nature of the Centre's customers and donors. The carrying value of accounts receivable and long-term pledges receivable reflects management's assessment of the credit risk associated with these customers and donors.

Note 19 Budget

The Banff Centre's 2004/2005 budget was approved by the Board of Governors on April 2, 2004.

Revenues		
Accommodation	$	14,099
Grants		14,147
Sales, rentals and services		7,044
Tuition and related fees		5,119
Donations and other contributions		2,578
Investment income		164
Amortization of deferred expended capital contributions		1,435
		44,586
Expenses		
Salaries, wages and benefits		24,036
Purchased services		2,292
Travel and related		1,663
Scholarships and financial assistance		3,768
Facility operating		1,943
Utilities		1,933
Supplies and materials		4,107
Vehicles and equipment		1,218
Marketing and promotion		772
Financial costs		669
Amortization of capital assets		2,185
(Gain)/Loss on disposal of capital assets		-
		44,586
Net income	$	-

Note 20 Prior Year Figures

Certain prior year figures have been reclassified to conform to the current year's presentation.